



**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Basic Financial Statements, Required Supplementary Information and Exhibit

June 30, 2002

(With Independent Auditors' Report Thereon)

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

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## Independent Auditors' Report

The Board of Directors  
Boston Redevelopment Authority:

We have audited the basic financial statements, as listed in the accompanying table of contents, of the Boston Redevelopment Authority (a component unit of the City of Boston) as of and for the year ended June 30, 2002. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Boston Redevelopment Authority as of June 30, 2002, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 2 to the basic financial statements, the Authority implemented Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*, in 2002.

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is  
a member of KPMG International, a Swiss association.



In accordance with *Government Auditing Standards*, we have also issued a report (Exhibit I), dated September 19, 2002, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

KPMG LLP

September 19, 2002

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Required Supplementary Information

Management's Discussion and Analysis

The following is the management's discussion and analysis of the financial performance of the Boston Redevelopment Authority (the Authority) for the fiscal year ended June 30, 2002. This discussion is a narrative overview and analysis of the Authority's financial operations and should be read in conjunction with the accompanying financial statements.

**Basic Financial Statements**

The basic financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used. Revenue is recorded when earned, and expenses are recorded when incurred. The basic financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. This report also includes footnotes accompanying the statements to fully explain the activities reported in them.

The statement of net assets presents information on the assets and liabilities of the Authority. The difference between the two is net assets. Over time, increases and decreases in net assets may be an indicator of the financial stability of the Authority.

The statement of revenues, expenses, and changes in net assets reports the operating revenues and expenses and the nonoperating revenues of the Authority for the fiscal year. The difference-increase or decrease in net assets-then determines the net change in assets for the fiscal year. This change in net assets added to last year's net assets will reconcile to the total net assets for this fiscal year.

The statement of cash flows reports activity of cash and cash equivalents during the fiscal year.

**Financial Highlights**

- Assets exceeded liabilities by \$10,762,511 at the close of the fiscal year.
- Operating revenues decreased \$16,135,943 or 39% from the previous year due to decreases in intergovernmental revenues and a reduction in property sales.
- Operating expenses decreased \$14,071,652 or 35% from the previous year due to decreases in contract services.
- Net assets decreased \$1,021,604 from last year.
- Cash and cash equivalents increased by \$369,045 during the year.

See accompanying independent auditors' report.

**BOSTON REDEVELOPMENT AUTHORITY**  
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Required Supplementary Information  
Management's Discussion and Analysis

**Financial Analysis of the Authority**

**Net Assets**

The Authority's net assets at June 30, 2002 were \$10,762,511, as shown in Table A-1. Total assets decreased by \$753,737 and total liabilities increased by \$267,867.

**Table A-1**  
**Boston Redevelopment Authority's Net Assets**

	<u>2002</u>	<u>2001</u>	<u>Increase (decrease)</u>
<b>Assets:</b>			
Current assets	\$ 29,783,693	28,836,303	947,390
Notes receivable	58,732,382	58,488,486	243,896
Disposition of development sites	26,749,709	28,328,464	(1,578,755)
Capital assets	5,252,989	5,463,630	(210,641)
Restricted investments	1,070,920	1,568,489	(497,569)
Other	341,942	—	341,942
<b>Total assets</b>	<u>121,931,635</u>	<u>122,685,372</u>	<u>(753,737)</u>
<b>Liabilities:</b>			
Current liabilities	1,753,057	2,001,717	(248,660)
Due to designated projects	11,460,684	9,697,355	1,763,329
Due to City of Boston	57,691,155	58,613,566	(922,411)
Deferred revenue	31,806,683	32,137,076	(330,393)
Other	8,457,545	8,451,543	6,002
<b>Total liabilities</b>	<u>111,169,124</u>	<u>110,901,257</u>	<u>267,867</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	3,777,989	3,988,630	(210,641)
Restricted	1,070,920	1,568,489	(497,569)
Unrestricted	5,913,602	6,226,996	(313,394)
<b>Total net assets</b>	<u>\$ 10,762,511</u>	<u>11,784,115</u>	<u>(1,021,604)</u>

The decrease in total assets is primarily due to the decrease in disposition of development sites as the Authority realized proceeds as the result of certain real estate transactions becoming due under the terms of the agreements.

The increase in total liabilities is due to an increase in the amount due to the City of Boston. This increase represents interest accrued on funds the City has provided to the Authority for the Harbor Point and Anchorage Apartments under Urban Development Action Grants.

See accompanying independent auditors' report.

**BOSTON REDEVELOPMENT AUTHORITY**  
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Management's Discussion and Analysis

**Capital Assets**

At the end of 2002, the Authority had \$5,252,989 invested in capital assets, which consists primarily of land held for redevelopment purposes within the City of Boston. There were no significant additions or disposals of capital assets during the year.

**Long-Term Debt**

At year-end, the Authority had \$109,416,067 in long-term debt. The major components of this balance include amounts due to the City of Boston of \$57,691,155, amounts due to designated projects of \$11,460,684 and deferred revenue of \$31,806,683. All of these amounts are related to the Authority's redevelopment activities. The amounts due to the City of Boston and to designated projects have been established to designate where loan repayments from the Authority's borrowers are to be paid. Deferred revenue is the amount due to the Authority from certain borrowers where future cash collections are uncertain as of the end of the year.

See accompanying independent auditors' report.

**BOSTON REDEVELOPMENT AUTHORITY**  
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Required Supplementary Information  
Management's Discussion and Analysis

**Table A-2**  
**Changes in the Boston Redevelopment Authority's Net Assets**

	<u>2002</u>	<u>2001</u>	<u>Increase (decrease)</u>
Operating revenue:			
Intergovernmental	\$ 12,255,016	26,050,876	(13,795,860)
Sale of property	3,124,748	7,347,347	(4,222,599)
Rent and other property payments	9,297,841	7,408,141	1,889,700
Other	534,779	541,963	(7,184)
Total operating revenues	\$ <u>25,212,384</u>	<u>41,348,327</u>	<u>(16,135,943)</u>
Operating expenses:			
Contractual services	\$ 13,688,649	26,426,156	(12,737,507)
Personnel and fringe	10,351,277	9,277,401	1,073,876
Supplies and services	1,973,995	3,319,381	(1,345,386)
Other	220,067	1,282,701	(1,062,634)
Total operating expenses	<u>26,233,988</u>	<u>40,305,639</u>	<u>(14,071,651)</u>
Change in net assets	(1,021,604)	1,042,688	(2,064,292)
Total net assets, beginning of year	<u>11,784,115</u>	<u>10,741,427</u>	<u>1,042,688</u>
Total net assets, end of year	\$ <u>10,762,511</u>	<u>11,784,115</u>	<u>(1,021,604)</u>

The decrease in operating revenues is primarily due to the decrease in funding provided by the City of Boston relating to the Boston Convention and Exhibition Center (BCEC), as the Authority's role in the development of the project is near completion. These revenues are accounted for as intergovernmental revenue. Sale of property has also decreased from the prior year as the timing of property sales have been delayed. The decrease in contractual services is due to the diminution of the BCEC activity as previously mentioned.

**Request for Information**

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives to carry out the planning and economic development activities of the City of Boston. If you have any questions about this report contact the Secretary's Office, 9<sup>th</sup> Floor, City Hall.

See accompanying independent auditors' report.



**BOSTON REDEVELOPMENT AUTHORITY**  
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Statement of Net Assets

June 30, 2002

**Assets**

Current assets:	\$ 28,034,888
Cash and cash equivalents (note 3)	
Accounts receivable:	
Rent	521,019
Intergovernmental	538,251
Other accounts receivable	689,535
Total current assets	29,783,693
Noncurrent assets:	
Restricted cash and cash equivalents (notes 3 and 7)	1,070,920
Notes receivable, net (note 4)	58,732,382
Disposition of development sites (note 12)	26,749,709
Capital assets (note 6):	
Land	3,475,722
Depreciable capital assets	3,224,621
Less: accumulated depreciation	(1,447,354)
Total capital assets, net	5,252,989
Other assets	341,942
Total assets	120,860,715

**Liabilities**

Current liabilities:	
Accounts payable and accrued expenses	720,999
Vacation and sick leave, current portion	32,058
Deferred revenue, current portion (note 12)	1,000,000
Total current liabilities	1,753,057
Noncurrent liabilities:	
Note payable (notes 5 and 9)	1,475,000
Deposits (note 9)	4,494,569
Vacation and sick leave (note 9)	1,453,460
Due to designated projects (notes 4 and 9)	11,460,684
Due to City of Boston (notes 4 and 9)	57,691,255
Deferred revenue (notes 9 and 12)	31,806,683
Other	1,034,516
Total liabilities	111,169,224

**Net Assets**

Invested in capital assets, net of related debt	3,777,989
Restricted	1,070,920
Unrestricted	5,913,602
Total net assets	\$ 10,762,511
Commitments and contingencies (note 10)	

See accompanying notes to basic financial statements.

**BOSTON REDEVELOPMENT AUTHORITY**  
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Statement of Revenues, Expenses, and Changes in Net Assets  
Year ended June 30, 2002

Operating revenue:	
Intergovernmental (note 14)	\$ 12,255,016
Sale of property	3,124,748
Rent and other property payments (notes 5 and 8)	9,297,841
Interest income	206,290
Other	328,489
	<hr/>
Total operating revenues	25,212,384
	<hr/>
Operating expenses:	7,868,917
Personnel	2,482,360
Fringe benefits	1,973,995
Supplies and services	13,688,649
Contractual services (note 14)	210,641
Depreciation	9,426
Other	<hr/>
Total operating expenses	26,233,988
	<hr/>
Decrease in net assets	(1,021,604)
	<hr/>
Net assets, beginning of year, as restated (note 2)	11,784,115
	<hr/>
Net assets, end of year	\$ 10,762,511

See accompanying notes to basic financial statements.

**BOSTON REDEVELOPMENT AUTHORITY**  
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Statement of Cash Flows

Year ended June 30, 2002

Cash flows from operating activities:	\$ 25,066,072
Cash received from customers	(10,311,098)
Cash paid to employees	(15,732,678)
Cash paid to suppliers and consultants	<u>(977,704)</u>
Net cash used for operating activities	
Cash flows from noncapital financing activities:	2,809,938
Receipts from development projects	563,446
Interest earnings on escrow deposits	(307,262)
Purchase of affordable housing units	(770,894)
Program grant disbursements	(948,479)
Repayments to the City of Boston	<u>1,346,749</u>
Net cash provided by noncapital financing activities	369,045
Increase in cash and cash equivalents	<u>28,736,763</u>
Cash and cash equivalents, beginning of year	\$ <u>29,105,808</u>
Cash and cash equivalents, end of year	
Reconciliation of operating loss to net cash provided by operating activities:	\$ (1,021,604)
Decrease in net assets	
Adjustments to reconcile operating loss to net cash (used)	
provided by operating activities:	210,641
Depreciation	
Changes in operating assets and liabilities:	(146,312)
Receivables	1,578,755
Disposition of development sites	(341,942)
Other assets	26,900
Accounts payable and accrued expenses	43,179
Vacation and sick leave	(1,327,321)
Deferred revenue	<u>(977,704)</u>
Net cash used for operating activities	<u>\$ (977,704)</u>

See accompanying notes to basic financial statements.

**BOSTON REDEVELOPMENT AUTHORITY**  
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Notes to Basic Financial Statements

June 30, 2002

**(1) The Authority**

The Boston Redevelopment Authority (the Authority) was established in 1957 pursuant to Chapter 121B, as amended, of the General Laws of Massachusetts, to administer community development projects and to function as the planning agency of the City of Boston (the City). The Authority is governed by a five-member Board of Directors appointed for terms of five years. The Authority is a component unit of the City.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as specified by the Governmental Accounting Standards Board's (GASB) requirements for an enterprise fund. Operating revenues and expenses result from the administering of community development projects within the City of Boston.

Under GASB Statement No. 20, *Accounting and Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority applies all Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, except those that conflict with or contradict GASB pronouncements.

**(b) Use of Estimates**

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(c) Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

**(d) Investment Valuation**

Investments are stated at fair value. Where applicable, fair values are based on quotations from national securities exchanges.

**(e) Capital Assets**

Capital assets are valued at cost, or estimated historical cost if actual cost is not available. Cost includes not only purchase price or construction cost, but also ancillary charges necessary to place the asset in its intended location and condition for use.

**BOSTON REDEVELOPMENT AUTHORITY**  
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Notes to Basic Financial Statements

June 30, 2002

**(f) Depreciation**

The Authority provides for depreciation using the straight-line method. Depreciation is intended to distribute the cost of depreciable properties over the following estimated average useful lives:

	<u>Years</u>
Buildings	30
Furniture and fixtures	10
Vehicles	5
Computers	3

**(g) Compensated Absences**

Employees may accumulate unused vacation and sick leave as earned. Upon retirement, termination or death, employees are compensated for accumulated unused vacation. Sick leave accumulates at the rate of 1 1/4 days for each calendar month of service with no maximum limit. Upon termination, employees with twenty or more years of service may receive in cash 27% of their accrued but unused sick leave.

**(h) New Accounting Pronouncements**

The Authority adopted the provisions of the GASB issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, which established new financial reporting requirements for state and local governments throughout the United States of America. The statement requires new information and restructures much of the information that the Authority has presented in the past. These changes include presenting a management’s discussion and analysis, a statement of cash flows prepared using the direct method and a conversion of the balance sheet and the statement of revenues, expenditures and changes in fund equity to a statement of net assets and a statement of changes in net assets. In conjunction with the implementation of GASB Statement No. 34, the Authority changed its reporting from the Governmental Fund model to the Proprietary Fund model, to more properly reflect the business in which the Authority operates. As a result, certain assets and liabilities previously reported as account groups under the Governmental fund model have been reclassified as beginning of the year net assets under the Proprietary Fund Model as follows:

Beginning fund balances, as previously reported	\$ 10,482,698
Plus fixed assets, net of accumulated depreciation	2,743,756
Less vacation and sick leave	<u>(1,442,339)</u>
Beginning net assets	<u>\$ 11,784,115</u>

Other GASB statements are required to be implemented in conjunction with GASB Statement No. 34. Therefore, the Authority has implemented the following GASB Statements in the current fiscal year: No. 37 – *Basic Financial Statements – and Management’s Discussion and*

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Notes to Basic Financial Statements

June 30, 2002

*Analysis – for State and Local Governments: Omnibus, and No. 38 – Certain Financial Statement Note Disclosures.* The implementation of these statements had an impact on the presentation of the notes to the basic financial statements, but no impact on net assets.

**(3) Cash and Investments**

**(a) Deposits**

The Authority categorizes deposits according to the level of risk assumed by the Authority at June 30, 2002 as follows: Category 1 includes deposits which are fully insured or collateralized with securities held by the Authority or its agent in the Authority's name. Category 2 includes those deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name. Category 3 includes those deposits which are not collateralized.

	Bank balance			Total bank balance	Carrying amount
	Category				
	1	2	3		
Cash	\$ 620,010	—	5,713,591	6,333,601	4,731,984
Uncategorized pooled money market and related investments	—	—	—	23,447,325	23,447,325
U.S. government obligations	926,499	—	—	926,499	926,499
Total	\$ 1,546,509	—	5,713,591	31,707,425	29,105,808

**(4) Notes Receivable**

Notes receivable as of June 30, 2002 consist of the following amounts:

Notes receivable – real estate transactions	\$ 2,594,000
Notes receivable – neighborhood housing	3,373,409
Notes receivable – passed through the City of Boston	<u>53,110,667</u>
	59,078,076
	<u>(345,694)</u>
Less: allowance for uncollectibles	
Notes receivable, net	<u>\$ 58,732,382</u>

**BOSTON REDEVELOPMENT AUTHORITY**  
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Notes to Basic Financial Statements

June 30, 2002

Principal payments are due on the outstanding notes receivables as follows:

	<u>Amount</u>
Year ending June 30:	
2003	\$ —
2004	—
2005	1,057,000
2006	—
2007	—
Thereafter	<u>58,021,076</u>
Total principal due	\$ <u>59,078,076</u>

Notes receivable -- operating, consist of loans made by the Authority for redevelopment projects. These notes have been deferred as future cash collections are uncertain as of June 30, 2002.

Notes receivable -- neighborhood housing are loans as provided by the Authority's Neighborhood Housing Fund. Amounts collected in addition to the Authority's contribution are made available for new loans. These notes have been deferred as future cash collections are uncertain as of June 30, 2002.

Notes receivable -- passed through the City of Boston consist of loans funded by the City of Boston under loan programs such as urban development and housing development action grants. The Authority loaned these pass-through funds to various not-for-profit community developers to accomplish their development and housing initiatives. The Authority administers these loans, with any repayment remitted to the City. Because the loan repayments are contingent upon future events (e.g., cash flows), the collectibility of such amounts is not assured.

**(5) China Trade Center**

In 1993, the Authority purchased the China Trade Center (CTC) from an unrelated party for approximately \$2,225,000, including past-due property taxes due to the City of approximately \$750,000. Funding for the purchase was provided by the City. In connection with the transaction, the City received from the Authority a noninterest-bearing mortgage note of \$1,475,000 due upon the sale or refinancing of the property. The CTC is included in the Authority's capital asset balance at June 30, 2002.

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Notes to Basic Financial Statements

June 30, 2002

**(6) Capital Assets**

The following is a summary of activity by major categories of capital assets:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets not being depreciated:				
Land	\$ 3,475,722	—	—	3,475,722
Total capital assets not being depreciated	<u>3,475,722</u>	<u>—</u>	<u>—</u>	<u>3,475,722</u>
Other capital assets:				
Building	1,979,747	—	—	1,979,747
Furniture and fixtures	797,069	—	—	797,069
Computers	377,961	—	—	377,961
Vehicles	69,844	—	—	69,844
Total other capital assets at historical cost	<u>3,224,621</u>	<u>—</u>	<u>—</u>	<u>3,224,621</u>
Less accumulated depreciation for:				
Building	499,668	69,080	—	568,748
Furniture and fixtures	418,242	79,707	—	497,949
Computers	279,831	47,885	—	327,716
Vehicles	38,972	13,969	—	52,941
Total accumulated depreciation	<u>1,236,713</u>	<u>210,641</u>	<u>—</u>	<u>1,447,354</u>
Other capital assets, net	<u>1,987,908</u>	<u>(210,641)</u>	<u>—</u>	<u>1,777,267</u>
Capital assets, net	<u>\$ 5,463,630</u>	<u>(210,641)</u>	<u>—</u>	<u>5,252,989</u>

**(7) Restricted Cash and Cash Equivalents**

The City advanced funds to the Authority for purposes of securing a loan made by insurance companies to the City's Neighborhood Housing Trust. At June 30, 2002, these funds equaled \$1,070,920 (including interest). These funds are held by a bank as escrow agent and will be returned to the City when the loans are repaid to the insurance companies.

**(8) Operating Leases and Other Property Payments**

The Authority is a lessor of property under operating leases expiring in various years through 2088. The property was acquired in connection with the Authority's redevelopment activities, and has not been capitalized.



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June 30, 2002

Minimum future rentals to be received on all noncancelable leases as of June 30, 2002 for each of the next five years and thereafter are as follows:

	<u>Amount</u>
Year ending:	
2003	\$ 2,798,352
2004	2,798,352
2005	2,798,352
2006	2,798,352
2007	2,798,352
Thereafter	<u>158,821,946</u>
	<u>\$ 172,813,706</u>

The Authority is also a lessor of property under operating leases with terms less than one year. Total rental income under long and short-term operating leases was \$7,433,955 for the year ended June 30, 2002.

The Authority receives a percentage of revenues from the sale and resale of real estate. The Authority received payments amounting to \$863,886 for the year ended June 30, 2002.

**(9) Noncurrent Debt**

The following is a summary of noncurrent debt by major category of noncurrent debt:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
Notes payable	\$ 1,475,000	—	—	1,475,000
Deposits	4,213,897	280,672	—	4,494,569
Vacation and sick leave	1,442,339	43,179	32,058	1,453,460
Due to designated projects	9,697,355	1,763,329	—	11,460,684
Due to the City of Boston	58,613,566	—	922,411	57,691,155
Other	2,801,309	—	1,766,793	1,034,516
	<u>\$ 78,243,466</u>	<u>2,087,180</u>	<u>2,721,262</u>	<u>77,609,384</u>

**(10) Risk Management**

The Authority is exposed to various risks of loss related to general liability, property and casualty, workers' compensation and employee health and life insurance claims.

## **BOSTON REDEVELOPMENT AUTHORITY**

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### **Notes to Basic Financial Statements**

June 30, 2002

Buildings are fully insured against fire, theft and natural disaster to the extent that losses exceed appropriate deductible amounts per incident. The Authority provides for workers' compensation and health claims through premium based plans.

The Authority is involved in lawsuits concerning routine contract matters and public liability tort actions, the majority of which are covered by contractors', homeowners', landlords' and tenants' liability insurance policies. In addition, the Authority is involved in other litigation including land damage cases resulting from the acquisition of properties as a result of exercising its powers of eminent domain. Management believes that there is no significant liability associated with these claims.

#### **(11) Pension Plan**

##### **(a) Plan Description**

All full-time Authority employees are required to participate in the State-Boston Retirement System (the System), a cost-sharing multiple-employer, defined benefit pension plan. The System provides for retirement allowance benefits up to a maximum of 80% of an employee's highest three-year average annual rate of regular compensation. Benefit payments are based upon an employee's age, length of creditable service, level of compensation, and group classification. Employees become vested after 10 years of creditable service. A retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service. The System issues a publicly available financial report which can be obtained from the Boston Retirement Board, Room 816, City Hall, Boston, Massachusetts 02201.

##### **(b) Funding Policy**

Plan members are required to contribute to the System at rates ranging from 5% to 9% of annual covered compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. The Authority is required to pay into the System its share of the remaining systemwide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The Commonwealth of Massachusetts reimburses the System for a portion of benefit payments for cost-of-living increases granted prior to July 1, 1998. The contributions of plan members and the Authority are governed by Chapter 32 of the Massachusetts General Laws. The Authority's contributions to the System for the years ended June 30, 2002, 2001, and 2000 were \$1,160,277, \$987,308, and \$1,009,437, respectively, which equaled its required contribution for those years.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2002

**(12) Disposition of Development Sites**

Amounts due the Authority related to certain land disposition transactions are recorded as deferred revenues until such time as the transactions progress to the point that the Authority has earned the revenue based upon due dates specified in the agreements upon the achievement of certain milestones. At June 30, 2002, the Authority recorded \$26,749,709 of disposition receivables, of which \$1,316,800 will become due upon the achievement of certain milestones and the remaining \$25,432,909 is due as follows:

	<u>Amount</u>
Year ending:	
2003	\$ 1,000,000
2004	1,150,000
2005	1,000,000
2006	1,000,000
2007	1,000,000
Thereafter	<u>20,282,909</u>
	\$ <u>25,432,909</u>

For the year ended June 30, 2002, the Authority realized approximately \$1,954,755, which was previously recorded as deferred revenue.

**(13) Postemployment Benefits**

In addition to providing pension benefits, the Authority pays a portion of health care costs provided to certain of its retired employees. Costs incurred by the Authority are accounted for on a "pay-as-you-go" basis and were approximately \$443,757 for the year ended June 30, 2002.

**(14) Convention Center**

The Commonwealth of Massachusetts enacted legislation (Chapter 152 of the Acts of 1997) (the Act) approving the financing and construction of a new convention and exhibition center (the Project). The Act requires that the Authority perform certain tasks in connection with the development of the Project. Those tasks include, among other items, acquiring properties and interests within the Project development area with the intention of conveying the acquired interests to the Massachusetts Convention Center Authority (the MCCA) at a future date.

Pursuant to the Act, the Authority entered into a Cooperation Agreement with the City; whereby all Project costs incurred by the Authority are to be funded by the City. For the year ended June 30, 2002, the Authority recorded approximately \$10,137,656 of Project expenses, principally for relocation payments.



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**Exhibit I**

**Auditors' Report on Compliance and on Internal Control  
Over Financial Reporting in Accordance With  
*Government Auditing Standards***

The Board of Directors  
Boston Redevelopment Authority:

We have audited the basic financial statements of the Boston Redevelopment Authority, as of and for the year ended June 30, 2002, and have issued our report thereon dated September 19, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

September 19, 2002







**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Basic Financial Statements, Required Supplementary Information and Exhibit

June 30, 2003

(With Independent Auditors' Report Thereon)

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

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KPMG LLP  
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## Independent Auditors' Report

The Board of Directors  
Boston Redevelopment Authority:

We have audited the basic financial statements, as listed in the accompanying table of contents, of the Boston Redevelopment Authority (a component unit of the City of Boston) (the Authority) as of and for the year ended June 30, 2003. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Boston Redevelopment Authority as of June 30, 2003, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report (Exhibit I), dated September 12, 2003, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

KPMG LLP

September 12, 2003



KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.



**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Required Supplementary Information  
Management's Discussion and Analysis

The following is the management's discussion and analysis of the financial performance of the Boston Redevelopment Authority (the Authority) for the fiscal year ended June 30, 2003. This discussion is a narrative overview and analysis of the Authority's financial operations and should be read in conjunction with the accompanying financial statements.

**Basic Financial Statements**

The basic financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used. Revenue is recorded when earned, and expenses are recorded when incurred. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. This report also includes footnotes accompanying the statements to fully explain the activities reported in them.

The statement of net assets presents information on the assets and liabilities of the Authority. The difference between the two is net assets. Over time, increases and decreases in net assets may be an indicator of the financial stability of the Authority.

The statement of revenues, expenses and changes in net assets reports the operating revenues and expenses and the nonoperating revenues of the Authority for the fiscal year. The difference-increase or decrease in net assets-then determines the net change in assets for the fiscal year. This change in net assets added to last year's net assets will reconcile to the total net assets for this fiscal year.

The statement of cash flows reports activity of cash and cash equivalents during the fiscal year.

**Financial Highlights**

- Assets exceeded liabilities by \$9,802,365 at the close of the fiscal year.
- Operating revenues increased \$9,529,457 or 38% from the previous year due to an increase in intergovernmental revenues.
- Operating expenses increased \$9,467,999 or 36% from the previous year due to increases in contractual services and supplies.
- Net assets decreased \$960,146 from last year.
- Cash and cash equivalents increased by \$11,835,620 during the year.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Required Supplementary Information  
Management's Discussion and Analysis

**Financial Analysis of the Authority**

**Net Assets**

The Authority's net assets at June 30, 2003 were \$9,802,365, as shown in Table A-1. Total assets increased by \$39,345,022 and total liabilities increased by \$40,305,168.

**Table A-1**  
**Boston Redevelopment Authority's Net Assets**

	<u>2003</u>	<u>2002</u>	<u>Increase (decrease)</u>
<b>Assets:</b>			
Current assets	\$ 45,057,250	29,783,693	15,273,557
Notes receivable	75,985,282	58,732,382	17,252,900
Disposition of development sites	33,295,819	26,749,709	6,546,110
Capital assets	5,072,971	5,252,989	(180,018)
Restricted cash and cash equivalents	1,081,808	1,070,920	10,888
Other	783,527	341,942	441,585
<b>Total assets</b>	<u>161,276,657</u>	<u>121,931,635</u>	<u>39,345,022</u>
<b>Liabilities:</b>			
Current liabilities	7,116,499	1,753,057	5,363,442
Due to designated projects	35,005,484	24,000,932	11,004,552
Deposits	17,509,695	4,494,569	13,015,126
Due to City of Boston	54,455,483	48,524,217	5,931,266
Deferred revenue	33,522,824	28,433,373	5,089,451
Other	3,864,307	3,962,976	(98,669)
<b>Total liabilities</b>	<u>151,474,292</u>	<u>111,169,124</u>	<u>40,305,168</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	3,597,971	3,777,989	(180,018)
Restricted	1,081,808	1,070,920	10,888
Unrestricted	5,122,586	5,913,602	(791,016)
<b>Total net assets</b>	<u>\$ 9,802,365</u>	<u>10,762,511</u>	<u>(960,146)</u>

The increase in total assets is primarily due to the increase in cash and cash equivalents, notes receivable and the disposition of development sites.

The increase in total liabilities is due to an increase in the amount due to designated projects and deposits. These increases represent payments made to the Authority for development and housing projects.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Required Supplementary Information

Management's Discussion and Analysis

**Capital Assets**

At the end of 2003, the Authority had \$5,072,971 invested in capital assets, which consists primarily of land held for redevelopment purposes within the City of Boston. There were no significant additions or disposals of capital assets during the year.

**Long-Term Obligations**

At year-end, the Authority had \$110,834,969 in long-term obligations. The major components of this balance include amounts due to the City of Boston of \$54,455,483, amounts due to designated projects of \$35,005,484. All of these amounts are related to the Authority's redevelopment activities. The amounts due to the City of Boston and to designated projects have been established to designate where loan repayments from the Authority's borrowers are to be paid.

**Table A-2**  
**Changes in the Boston Redevelopment Authority's Net Assets**

	2003	2002	Increase (decrease)
Operating revenue:			
Intergovernmental	\$ 21,849,628	12,255,016	9,594,612
Sale of property	2,793,200	3,124,748	(331,548)
Rent and other property payments	9,599,088	9,297,841	301,247
Other	499,925	534,779	(34,854)
Total operating revenues	<u>\$ 34,741,841</u>	<u>25,212,384</u>	<u>9,529,457</u>
Operating expenses:			
Contractual services	\$ 22,578,715	13,688,649	8,890,066
Personnel and fringe	10,811,655	10,351,277	460,378
Supplies and services	2,054,922	1,973,995	80,927
Other	256,695	220,067	36,628
Total operating expenses	<u>35,701,987</u>	<u>26,233,988</u>	<u>9,467,999</u>
Change in net assets	(960,146)	(1,021,604)	61,458
Total net assets, beginning of year	<u>10,762,511</u>	<u>11,784,115</u>	<u>(1,021,604)</u>
Total net assets, end of year	<u>\$ 9,802,365</u>	<u>10,762,511</u>	<u>(960,146)</u>

The increase in operating revenues is primarily due to the funding provided by the City of Boston relating to the Boston Convention and Exhibition Center (BCEC). These revenues are accounted for as intergovernmental revenue. The increase in contractual services is due to the BCEC activity as previously mentioned.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Required Supplementary Information  
Management's Discussion and Analysis

**Request for Information**

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives to carry out the planning and economic development activities of the City of Boston. If you have any questions about this report contact the Secretary's Office, 9<sup>th</sup> Floor, City Hall.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Statement of Net Assets

June 30, 2003

**Assets**

Current assets:	
Cash and cash equivalents (note 3)	\$ 39,859,620
Accounts receivable:	
Rent	435,339
Intergovernmental	3,819,249
Other accounts receivable	<u>943,042</u>
Total current assets	45,057,250
Noncurrent assets:	
Restricted cash and cash equivalents (notes 3 and 7)	1,081,808
Notes receivable, net (note 4)	75,985,282
Disposition of development sites (note 12)	33,295,819
Capital assets (note 6):	
Land	3,475,722
Depreciable capital assets	3,246,541
Less accumulated depreciation	<u>(1,649,292)</u>
Total capital assets, net	5,072,971
Other assets	<u>783,527</u>
Total assets	<u>161,276,657</u>

**Liabilities**

Current liabilities:	
Accounts payable and accrued expenses	5,200,227
Deferred revenue, current portion (note 12)	<u>1,916,272</u>
Total current liabilities	7,116,499
Noncurrent liabilities:	
Note payable (notes 5 and 9)	1,950,000
Deposits (note 9)	17,509,695
Vacation and sick leave (note 9)	1,193,193
Due to designated projects (notes 4 and 9)	35,005,484
Due to City of Boston (notes 4 and 9)	54,455,483
Deferred revenue (note 12)	33,522,824
Other	<u>721,114</u>
Total liabilities	<u>151,474,292</u>

**Net Assets**

Invested in capital assets, net of related debt	3,597,971
Restricted	1,081,808
Unrestricted	<u>5,122,586</u>
Total net assets	<u>\$ 9,802,365</u>
Commitments and contingencies (note 10)	

See accompanying notes to basic financial statements.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2003

Operating revenue:	
Intergovernmental (note 14)	\$ 21,849,628
Sale of property	2,793,200
Rent and other property payments (note 8)	9,599,088
Interest income	114,599
Other	385,326
	<hr/>
Total operating revenues	34,741,841
Operating expenses:	
Personnel	8,138,553
Fringe benefits	2,673,102
Supplies and services	2,054,922
Contractual services (note 14)	22,578,715
Depreciation	201,938
Other	54,757
	<hr/>
Total operating expenses	35,701,987
Operating loss	(960,146)
Nonoperating revenues (expense):	
Insurance recoveries	751,619
Fire restoration expense	(751,619)
	<hr/>
Total nonoperating expense	—
Decrease in net assets	(960,146)
Net assets, beginning of year	10,762,511
Net assets, end of year	<hr/> <hr/>
	\$ 9,802,365

See accompanying notes to basic financial statements.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Statement of Cash Flows

Year ended June 30, 2003

Cash flows from operating activities:	
Cash received from customers	\$ 30,311,044
Cash paid to employees	(11,058,624)
Cash paid to suppliers and consultants	(20,254,522)
Net cash used for operating activities	<u>(1,002,102)</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	<u>(21,920)</u>
Net cash used for capital and related financing activities	<u>(21,920)</u>
Cash flows from noncapital financing activities:	
Receipts from development projects	18,949,343
Interest earnings on escrow deposits	114,599
Program grant disbursements	(1,275,000)
Repayments to the City of Boston	(4,929,300)
Net cash provided by noncapital financing activities	<u>12,859,642</u>
Increase in cash and cash equivalents	11,835,620
Cash and cash equivalents, beginning of year	<u>29,105,808</u>
Cash and cash equivalents, end of year	<u>\$ 40,941,428</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Decrease in net assets	\$ (960,146)
Adjustments to reconcile operating loss to net cash (used) provided by operating activities:	
Depreciation	201,938
Changes in operating assets and liabilities:	
Receivables	(3,448,825)
Disposition of development sites	(6,546,110)
Other assets	(441,585)
Accounts payable and accrued expenses	4,479,228
Vacation and sick leave	(292,325)
Deferred revenue	6,005,723
Net cash used for operating activities	<u>\$ (1,002,102)</u>

See accompanying notes to basic financial statements.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2003

**(1) The Authority**

The Boston Redevelopment Authority (the Authority) was established in 1957 pursuant to Chapter 121B, as amended, of the General Laws of Massachusetts, to administer community development projects and to function as the planning agency of the City of Boston (the City). The Authority is governed by a five-member board of directors appointed for terms of five years. The Authority is a component unit of the City.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as specified by the Governmental Accounting Standards Board's (GASB) requirements for an enterprise fund. Operating revenues and expenses result from the administering of community development projects within the City of Boston. All other revenues and expenses are reported as nonoperating revenues and expenses.

Under GASB Statement No. 20, *Accounting and Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority applies all Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, except those that conflict with or contradict GASB pronouncements.

**(b) Use of Estimates**

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(c) Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

**(d) Investment Valuation**

Investments are stated at fair value. Where applicable, fair values are based on quotations from national securities exchanges.

**(e) Capital Assets**

Capital assets are valued at cost, or estimated historical cost if actual cost is not available. Cost includes not only purchase price or construction cost, but also ancillary charges necessary to place the asset in its intended location and condition for use.



# **BOSTON REDEVELOPMENT AUTHORITY**

(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2003

**(f) Depreciation**

The Authority provides for depreciation using the straight-line method. Depreciation is intended to distribute the cost of depreciable properties over the following estimated average useful lives:

	<u>Years</u>
Buildings	30
Furniture and fixtures	10
Vehicles	5
Computers	3

**(g) Compensated Absences**

Employees may accumulate unused vacation and sick leave as earned. Upon retirement, termination or death, employees are compensated for accumulated unused vacation. Sick leave accumulates at the rate of 1 ¼ days for each calendar month of service with no maximum limit. Upon termination, employees with twenty or more years of service may receive in cash 32% of their accrued but unused sick leave.

**(h) Deposits**

Deposits are funds given to the Authority by developers for the development of specific projects within the City of Boston.

**(i) Due to Designated Projects**

Due to designated projects represent funds that will be made available for housing projects within the City of Boston.

**(j) Due to the City of Boston**

Amounts due to the City of Boston consist of loans funded by the City of Boston and federal grants passed through the City of Boston for urban development and housing development projects. The Authority loans these funds to various not-for-profit community developers with repayments remitted to the City of Boston's neighborhood development fund.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2003

**(3) Cash and Investments**

**(a) Deposits**

The Authority categorizes deposits according to the level of risk assumed by the Authority at June 30, 2003 as follows: Category 1 includes deposits which are fully insured or collateralized with securities held by the Authority or its agent in the Authority's name. Category 2 includes those deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name. Category 3 includes those deposits which are not collateralized.

	Bank balance				
	Category			Total bank balance	Carrying amount
	1	2	3		
Cash	\$ 600,000	—	17,902,350	18,502,350	18,093,634
Uncategorized money market and related investments	—	—	—	7,173,559	7,173,559
U.S. government obligations	15,674,235	—	—	15,674,235	15,674,235
Total	\$ 16,274,235	—	17,902,350	41,350,144	40,941,428

**(4) Notes Receivable**

Notes receivable as of June 30, 2003 consist of the following amounts:

Notes receivable – real estate	\$ 2,594,000
Notes receivable – development and housing	19,317,109
Notes receivable – passed through the City of Boston	54,455,483
	<u>76,366,592</u>
Less allowance for uncollectibles	(381,310)
Notes receivable, net	<u>\$ 75,985,282</u>

Principal payments are due on the outstanding notes receivables as follows:

	Amount
Year ending June 30:	
2004	\$ —
2005	1,304,325
2006	—
2007	9,900,000
2008	189,900
Thereafter	64,591,057
Total principal due	<u>\$ 75,985,282</u>

# **BOSTON REDEVELOPMENT AUTHORITY**

(A Component Unit of the City of Boston)

## **Notes to Basic Financial Statements**

June 30, 2003

Notes receivable – real estate consist of loans made by the Authority for redevelopment projects.

Notes receivable – development and housing are loans provided by the Authority. Amounts collected are made available for new loans.

Notes receivable – passed through the City of Boston consist of loans funded by the City and Federal government under loan programs such as urban development and housing development action grants. The Authority loaned these pass-through funds to various not-for-profit community developers to accomplish their development and housing initiatives. The Authority administers these loans, with any repayment remitted to the City's neighborhood development fund. Because the loan repayments are contingent upon future events (e.g., cash flows), the collectibility of such amounts is not assured.

### **(5) China Trade Center**

In 1993, the Authority purchased the China Trade Center (CTC) from an unrelated party for approximately \$2,225,000, including past-due property taxes due to the City of approximately \$750,000. Funding for the purchase was provided by the City. In connection with the transaction, the City received from the Authority a noninterest-bearing mortgage note of \$1,475,000 due upon the sale or refinancing of the property. The CTC is included in the Authority's capital asset balance at June 30, 2003.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2003

**(6) Capital Assets**

The following is a summary of activity by major categories of capital assets:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets not being depreciated:				
Land	\$ 3,475,722	—	—	3,475,722
Total capital assets not being depreciated	<u>3,475,722</u>	<u>—</u>	<u>—</u>	<u>3,475,722</u>
Other capital assets:				
Building	1,979,747	—	—	1,979,747
Furniture and fixtures	797,069	—	—	797,069
Computers	377,961	21,920	—	399,881
Vehicles	69,844	—	—	69,844
Total other capital assets at historical cost	<u>3,224,621</u>	<u>21,920</u>	<u>—</u>	<u>3,246,541</u>
Less accumulated depreciation for:				
Building	568,748	74,229	—	642,977
Furniture and fixtures	497,949	75,017	—	572,966
Computers	327,716	40,748	—	368,464
Vehicles	52,941	11,944	—	64,885
Total accumulated depreciation	<u>1,447,354</u>	<u>201,938</u>	<u>—</u>	<u>1,649,292</u>
Other capital assets, net	<u>1,777,267</u>	<u>(180,018)</u>	<u>—</u>	<u>1,597,249</u>
Capital assets, net	<u>\$ 5,252,989</u>	<u>(180,018)</u>	<u>—</u>	<u>5,072,971</u>

**(7) Restricted Cash and Cash Equivalents**

The City advanced funds to the Authority for purposes of securing a loan made by insurance companies to the City's Neighborhood Housing Trust. At June 30, 2003, these funds equaled \$1,081,808 (including interest). These funds are held by a bank as escrow agent and will be returned to the City's neighborhood development fund when the loans made by the insurance companies are repaid.

**(8) Operating Leases and Other Property Payments**

The Authority is a lessor of property under operating leases expiring in various years through 2088. The property was acquired in connection with the Authority's redevelopment activities, and has not been capitalized.

**BOSTON REDEVELOPMENT AUTHORITY**

(A Component Unit of the City of Boston)

## Notes to Basic Financial Statements

June 30, 2003

Minimum future rentals to be received on all noncancelable leases as of June 30, 2003 for each of the next five years and thereafter are as follows:

	<u>Amount</u>
Year ending:	
2004	\$ 2,798,352
2005	2,798,352
2006	2,798,352
2007	2,798,352
2008	2,798,352
Thereafter	<u>156,023,594</u>
	<u>\$ 170,015,354</u>

The Authority is also a lessor of property under operating leases with terms less than one year. Total rental income under long and short-term operating leases was \$7,154,949 for the year ended June 30, 2003.

The Authority receives a percentage of revenues from the sale and resale of real estate. The Authority received payments amounting to \$308,811 for the year ended June 30, 2003.

**(9) Noncurrent Liabilities**

The following is a summary of noncurrent liabilities by major category:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
Notes payable	\$ 1,475,000	475,000	—	1,950,000
Deposits	4,494,569	15,797,219	2,782,093	17,509,695
Vacation and sick leave	1,453,460	188,981	449,248	1,193,193
Due to designated projects	24,000,932	11,004,552	—	35,005,484
Due to the City of Boston	48,524,217	5,931,266	—	54,455,483
Other	<u>1,034,516</u>	<u>—</u>	<u>313,402</u>	<u>721,114</u>
	<u>\$ 80,982,694</u>	<u>33,397,018</u>	<u>3,544,743</u>	<u>110,834,969</u>

**(10) Risk Management**

The Authority is exposed to various risks of loss related to general liability, property and casualty, workers' compensation and employee health and life insurance claims.

Buildings are fully insured against fire, theft and natural disaster to the extent that losses exceed appropriate deductible amounts per incident. The Authority provides for workers' compensation and health claims through premium based plans.

The Authority is involved in lawsuits concerning routine contract matters and public liability tort actions, the majority of which are covered by contractors', homeowners', landlords' and tenants' liability insurance

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2003

policies. In addition, the Authority is involved in other litigation including land damage cases resulting from the acquisition of properties as a result of exercising its powers of eminent domain. Management believes that there is no significant liability associated with these claims.

**(11) Pension Plan**

**(a) Plan Description**

All full-time Authority employees are required to participate in the State-Boston Retirement System (the System), a cost-sharing multiple-employer, defined benefit pension plan. The System provides for retirement allowance benefits up to a maximum of 80% of an employee's highest three-year average annual rate of regular compensation. Benefit payments are based upon an employee's age, length of creditable service, level of compensation, and group classification. Employees become vested after 10 years of creditable service. A retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service. The System issues a publicly available financial report which can be obtained from the Boston Retirement Board, Room 816, City Hall, Boston, Massachusetts 02201.

**(b) Funding Policy**

Plan members are required to contribute to the System at rates ranging from 5% to 9% of annual covered compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. The Authority is required to pay into the System its share of the remaining systemwide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The Commonwealth of Massachusetts reimburses the System for a portion of benefit payments for cost-of-living increases granted prior to July 1, 1998. The contributions of plan members and the Authority are governed by Chapter 32 of the Massachusetts General Laws. The Authority's contributions to the System for the years ended June 30, 2003, 2002, and 2001 were \$1,324,801, \$1,160,277, and \$987,308, respectively, which equaled its required contribution for those years.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2003

**(12) Disposition of Development Sites**

Amounts due the Authority related to certain land disposition transactions are recorded as deferred revenues until such time as the transactions progress to the point that the Authority has earned the revenue based upon due dates specified in the agreements upon the achievement of certain milestones. At June 30, 2003, the Authority recorded \$33,295,819 of disposition receivables, of which \$1,316,800 will become due upon the achievement of certain milestones and the remaining \$31,979,019 is due as follows:

	<u>Amount</u>
Year ending:	
2004	\$ 1,916,272
2005	1,766,272
2006	1,766,272
2007	1,766,272
2008	1,766,272
Thereafter	<u>22,997,659</u>
	\$ <u><u>31,979,019</u></u>

For the year ended June 30, 2003, the Authority recorded revenue of \$1,037,857, which was previously recorded as deferred revenue.

**(13) Postemployment Benefits**

In addition to providing pension benefits, the Authority pays a portion of health care costs provided to certain of its retired employees. Costs incurred by the Authority are accounted for on a "pay-as-you-go" basis and were approximately \$476,935 for the year ended June 30, 2003.

**(14) Convention Center**

The Commonwealth of Massachusetts enacted legislation (Chapter 152 of the Acts of 1997) (the Act) approving the financing and construction of a new convention and exhibition center (the Project). The Act requires that the Authority perform certain tasks in connection with the development of the Project. Those tasks include, among other items, acquiring properties and interests within the Project development area with the intention of conveying the acquired interests to the Massachusetts Convention Center Authority (the MCCA) at a future date.

Pursuant to the Act, the Authority entered into a Cooperation Agreement with the City; whereby all Project costs incurred by the Authority are to be funded by the City. For the year ended June 30, 2003, the Authority recorded approximately \$11,381,428 of Project expenses, principally for relocation payments.



KPMG LLP  
99 High Street  
Boston, MA 02110-2371

**Exhibit I**

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**Auditors' Report on Compliance and on Internal Control  
over Financial Reporting in Accordance with  
*Government Auditing Standards***

The Board of Directors  
Boston Redevelopment Authority:

We have audited the basic financial statements of the Boston Redevelopment Authority, as of and for the year ended June 30, 2003, and have issued our report thereon dated September 12, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

September 12, 2003



KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative







**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Basic Financial Statements, Required Supplementary Information, and Exhibit

June 30, 2004

(With Independent Auditors' Report Thereon)

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

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KPMG LLP  
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## Independent Auditors' Report

The Board of Directors  
Boston Redevelopment Authority:

We have audited the accompanying basic financial statements of the Boston Redevelopment Authority (a component unit of the City of Boston) (the Authority) as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Boston Redevelopment Authority, as of June 30, 2004, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report (Exhibit I), dated October 1, 2004, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 2 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Schedule 1 (budget vs. actual expenses – operating fund) has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

KPMG LLP

October 1, 2004

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Required Supplementary Information  
Management's Discussion and Analysis

June 30, 2004

The following is the management's discussion and analysis of the financial performance of the Boston Redevelopment Authority (the Authority) for the fiscal year ended June 30, 2004. This discussion is a narrative overview and analysis of the Authority's financial operations and should be read in conjunction with the accompanying financial statements.

**Basic Financial Statements**

The basic financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used. Revenue is recorded when earned, and expenses are recorded when incurred. The financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. This report also includes notes accompanying the statements to fully explain the activities reported in them.

The statement of net assets presents information on the assets and liabilities of the Authority. The difference between the two is net assets. Over time, increases and decreases in net assets may be an indicator of the financial stability of the Authority.

The statement of revenues, expenses, and changes in net assets reports the operating revenues and expenses and the nonoperating revenues of the Authority for the fiscal year. The difference-increase or decrease in net assets then determines the net change in assets for the fiscal year. This change in net assets added to last year's net assets will reconcile to the total net assets for this fiscal year.

The statement of cash flows reports activity of cash and cash equivalents during the fiscal year.

**Financial Highlights**

- Assets exceeded liabilities by \$8,805,129 at the close of the fiscal year.
- Operating revenues increased \$11,962,867 or 34.4% from the previous year due to an increase in intergovernmental revenues.
- Operating expenses increased \$10,918,149 or 30.6% from the previous year due to increases in contractual services and supplies.
- Nonoperating expenses increased by \$1,081,808 due to a repayment of a cash advance to the City of Boston.
- Net assets decreased \$997,236 from last year.
- Cash and cash equivalents increased by \$767,608 during the year.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Required Supplementary Information  
Management's Discussion and Analysis

June 30, 2004

**Financial Analysis of the Authority**

*Net Assets*

The Authority's net assets at June 30, 2004 were \$8,805,129, as shown in Table A-1. Total assets increased by \$1,125,395 and total liabilities increased by \$2,122,631.

**Table A-1**  
**Boston Redevelopment Authority's Net Assets**

	2004	2003	Increase (decrease)
Assets:			
Current assets	\$ 45,145,415	45,057,250	88,165
Notes receivable	78,008,332	75,985,282	2,023,050
Disposition of development sites	33,944,305	33,295,819	648,486
Capital assets	4,930,902	5,072,971	(142,069)
Restricted cash and cash equivalents	—	1,081,808	(1,081,808)
Other	373,098	783,527	(410,429)
Total assets	<u>162,402,052</u>	<u>161,276,657</u>	<u>1,125,395</u>
Liabilities:			
Current liabilities	4,531,170	7,116,499	(2,585,329)
Due to designated projects	27,283,954	35,005,484	(7,721,530)
Deposits	27,777,939	17,509,695	10,268,244
Due to City of Boston	55,779,933	54,455,483	1,324,450
Deferred revenue	34,367,114	33,522,824	844,290
Other	3,856,813	3,864,307	(7,494)
Total liabilities	<u>153,596,923</u>	<u>151,474,292</u>	<u>2,122,631</u>
Net assets:			
Invested in capital assets, net of related debt	3,455,902	3,597,971	(142,069)
Restricted	—	1,081,808	(1,081,808)
Unrestricted	5,349,227	5,122,586	226,641
Total net assets	<u>\$ 8,805,129</u>	<u>9,802,365</u>	<u>(997,236)</u>

The increase in total assets is primarily due to the increase in cash and cash equivalents, notes receivable and the disposition of development sites.

The increase in total liabilities is due to an increase in the amount due to designated projects and deposits. These increases represent payments made to the Authority for development and housing projects.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Required Supplementary Information  
Management's Discussion and Analysis

June 30, 2004

**Capital Assets**

At the end of 2004, the Authority had \$4,930,902 invested in capital assets, which consists primarily of land held for redevelopment purposes within the City of Boston. There were no significant additions or disposals of capital assets during the year.

**Long-Term Obligations**

At year-end, the Authority had \$149,065,753 in long-term obligations. The major components of this balance include amounts due to the City of Boston of \$55,779,933 and amounts due to designated projects of \$27,283,954. All of these amounts are related to the Authority's redevelopment activities. The amounts due to the City of Boston and to designated projects have been established to designate where loan repayments from the Authority's borrowers are to be paid.

**Table A-2**  
**Changes in the Boston Redevelopment Authority's Net Assets**

	2004	2003	Increase (decrease)
Operating revenue:			
Intergovernmental	\$ 31,957,525	21,849,628	10,107,897
Sale of property	2,750,002	2,793,200	(43,198)
Rent and other property payments	11,439,117	9,599,088	1,840,029
Other	558,063	499,925	58,138
Total operating revenues	46,704,707	34,741,841	11,962,866
Operating expenses:			
Contractual services	33,276,316	22,578,715	10,697,601
Personnel and fringe	9,892,159	10,811,655	(919,496)
Supplies and services	3,110,386	2,054,922	1,055,464
Other	341,274	256,695	84,579
Total operating expenses	46,620,135	35,701,987	10,918,148
Operating income	84,572	(960,146)	1,044,718
Nonoperating expenses	(1,081,808)	—	(1,081,808)
Change in net assets	(997,236)	(960,146)	(37,090)
Total net assets, beginning of year	9,802,365	10,762,511	(960,146)
Total net assets, end of year	\$ 8,805,129	9,802,365	(997,236)

The increase in operating revenues is primarily due to the funding provided by the City of Boston relating to the Boston Convention and Exhibition Center (BCEC). These revenues are accounted for as intergovernmental revenue. The increase in contractual services is due to the BCEC activity.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2004

**Request for Information**

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives to carry out the planning and economic development activities of the City of Boston. If you have any questions about this report contact the Secretary's Office, 9th Floor, City Hall.



**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Statement of Net Assets

June 30, 2004

**Assets**

Current assets:	
Cash and cash equivalents (note 3)	\$ 41,709,036
Accounts receivable:	
Rent	80,189
Intergovernmental	2,135,339
Other accounts receivable	<u>1,220,851</u>
Total current assets	45,145,415
Noncurrent assets:	
Notes receivable, net (note 4)	78,008,332
Disposition of development sites (note 11)	33,944,305
Capital assets (note 6):	
Land	3,475,722
Depreciable capital assets	3,272,919
Less accumulated depreciation	<u>(1,817,739)</u>
Total capital assets, net	4,930,902
Other assets	<u>373,098</u>
Total assets	<u>162,402,052</u>

**Liabilities**

Current liabilities:	
Accounts payable and accrued expenses	2,764,898
Deferred revenue, current portion (note 11)	<u>2,263,995</u>
Total current liabilities	5,028,893
Noncurrent liabilities:	
Notes payable (notes 5 and 8)	1,950,000
Deposits (note 8)	27,777,939
Vacation and sick leave (note 8)	1,347,888
Due to designated projects (notes 4 and 8)	27,283,954
Due to City of Boston (notes 4 and 8)	55,779,933
Deferred revenue (note 11)	33,869,391
Other	<u>558,925</u>
Total liabilities	<u>153,596,923</u>

**Net Assets**

Invested in capital assets, net of related debt	3,455,902
Unrestricted	<u>5,349,227</u>
Total net assets	\$ <u>8,805,129</u>
Commitments and contingencies (note 9)	

See accompanying notes to basic financial statements.

**BOSTON REDEVELOPMENT AUTHORITY**

(A Component Unit of the City of Boston)

## Statement of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2004

Operating revenue:	
Intergovernmental (note 13)	\$ 31,957,525
Sale of property	2,750,002
Rent and other property payments (note 7)	11,439,117
Interest income	128,500
Other	429,563
	<hr/>
Total operating revenues	46,704,707
Operating expenses:	
Personnel	7,241,055
Fringe benefits	2,651,104
Supplies and services	3,110,386
Contractual services (note 13)	33,276,316
Depreciation	168,447
Other	172,827
	<hr/>
Total operating expenses	46,620,135
	<hr/>
Operating income	84,572
Nonoperating expenses:	
Repayment of cash advance (note 14)	(1,081,808)
	<hr/>
Total nonoperating expenses	(1,081,808)
	<hr/>
Decrease in net assets	(997,236)
Net assets, beginning of year	9,802,365
	<hr/>
Net assets, end of year	\$ 8,805,129

See accompanying notes to basic financial statements.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Statement of Cash Flows

Year ended June 30, 2004

Cash flows from operating activities:	
Cash received from customers	\$ 48,383,262
Cash paid to employees	(9,737,464)
Cash paid to suppliers and consultants	(38,584,429)
Net cash provided by operating activities	<u>61,369</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(26,378)
Net cash used for capital and related financing activities	<u>(26,378)</u>
Cash flows from noncapital financing activities:	
Receipts from development projects	8,083,005
Interest earnings on escrow deposits	128,500
Program grant disbursements and advance repayments	(8,803,338)
Receipts from the City of Boston	1,324,450
Net cash provided by noncapital financing activities	<u>732,617</u>
Increase in cash and cash equivalents	767,608
Cash and cash equivalents, beginning of year	<u>40,941,428</u>
Cash and cash equivalents, end of year	\$ <u><u>41,709,036</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 84,572
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	168,447
Interest income	(128,500)
Changes in operating assets and liabilities:	
Receivables	1,761,251
Disposition of development sites	(648,486)
Other assets	410,429
Accounts payable and accrued expenses	(2,435,329)
Vacation and sick leave	154,695
Deferred revenue	694,290
Net cash provided by operating activities	\$ <u><u>61,369</u></u>

See accompanying notes to basic financial statements.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2004

**(1) The Authority**

The Boston Redevelopment Authority (the Authority) was established in 1957 pursuant to Chapter 121B, as amended, of the General Laws of Massachusetts, to administer community development projects and to function as the planning agency of the City of Boston (the City). The Authority is governed by a five-member board of directors appointed for terms of five years. The Authority is a component unit of the City.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as specified by the Governmental Accounting Standards Board's (GASB) requirements for an enterprise fund. Operating revenues and expenses result from the administering of community development projects within the City of Boston. All other revenues and expenses are reported as nonoperating revenues and expenses.

Under GASB Statement No. 20, *Accounting and Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority applies all Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, except those that conflict with or contradict GASB pronouncements.

**(b) Use of Estimates**

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(c) Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Authority considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.

**(d) Capital Assets**

Capital assets are valued at cost, or estimated historical cost if actual cost is not available. Cost includes not only purchase price or construction cost, but also ancillary charges necessary to place the asset in its intended location and condition for use.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2004

**(e) Depreciation**

The Authority provides for depreciation using the straight-line method. Depreciation is intended to distribute the cost of depreciable properties over the following estimated average useful lives:

	<u>Years</u>
Buildings	30
Furniture and fixtures	10
Vehicles	5
Computers	3

**(f) Compensated Absences**

Employees may accumulate unused vacation and sick leave as earned. Upon retirement, termination or death, employees are compensated for accumulated unused vacation. Sick leave accumulates at the rate of 1¼ days for each calendar month of service with no maximum limit. Upon termination, employees with twenty or more years of service may receive in cash 32% of their accrued but unused sick leave.

**(g) Deposits**

Deposits are funds given to the Authority by developers for the development of specific projects within the City of Boston.

**(h) Due to Designated Projects**

Due to designated projects represents funds that will be made available for housing projects within the City of Boston.

**(i) Due to the City of Boston**

Amounts due to the City of Boston consist of loans funded by the City of Boston and federal grants passed through the City of Boston for urban development and housing development projects. The Authority loans these funds to various not-for-profit community developers with repayments remitted to the City of Boston's neighborhood development fund.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2004

**(3) Cash and Investments**

**(a) Deposits**

The Authority categorizes deposits according to the level of risk assumed by the Authority at June 30, 2004 as follows: Category 1 includes deposits which are fully insured or collateralized with securities held by the Authority or its agent in the Authority's name. Category 2 includes those deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name. Category 3 includes those deposits which are not collateralized.

	Bank balance			Total bank balance	Carrying amount
	Category				
	1	2	3		
Cash	\$ 600,000	—	19,596,590	20,196,590	18,861,484
Uncategorized money market and related investments	—	—	—	—	8,395,100
U.S. government obligations	14,452,452	—	—	14,452,452	14,452,452
Total	\$ 15,052,452	—	19,596,590	34,649,042	41,709,036

**(4) Notes Receivable**

Notes receivable as of June 30, 2004 consist of the following amounts:

Notes receivable – real estate	\$ 2,568,000
Notes receivable – development and housing	19,925,212
Notes receivable – passed through the City of Boston	55,525,199
	78,018,411
Less allowance for uncollectibles	(10,079)
Notes receivable, net	\$ 78,008,332

Principal payments are due on the outstanding notes receivables as follows:

	Amount
Year ending June 30:	
2005	\$ 1,304,325
2006	—
2007	9,900,000
2008	189,900
2009	—
Thereafter	66,614,107
Total principal due	\$ 78,008,332

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2004

Notes receivable – real estate consist of loans made by the Authority for redevelopment projects.

Notes receivable – development and housing are loans provided by the Authority. Amounts collected are made available for new loans.

Notes receivable – passed through the City of Boston consist of loans funded by the City and Federal government under loan programs such as urban development and housing development action grants. The Authority loaned these pass-through funds to various not-for-profit community developers to accomplish their development and housing initiatives. The Authority administers these loans, with any repayment remitted to the City's neighborhood development fund. Because the loan repayments are contingent upon future events (e.g., cash flows), the collectibility of such amounts is not assured.

Amounts due to the Authority, related to the notes receivable described above, are not recorded as revenues on the Authority's financial statements. Any collections on those notes are paid to the City of Boston or designated projects and are recorded as due to the City of Boston or due to designated projects on the Authority's financial statements.

**(5) China Trade Center**

In 1993, the Authority purchased the China Trade Center (CTC) from an unrelated party for approximately \$2,225,000, including past-due property taxes due to the City of approximately \$750,000. Funding for the purchase was provided by the City. In connection with the transaction, the City received from the Authority a noninterest-bearing mortgage note of \$1,475,000 due upon the sale or refinancing of the property. The CTC is included in the Authority's capital asset balance at June 30, 2004.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2004

**(6) Capital Assets**

The following is a summary of activity by major categories of capital assets:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets not being depreciated:				
Land	\$ 3,475,722	—	—	3,475,722
Total capital assets not being depreciated	<u>3,475,722</u>	<u>—</u>	<u>—</u>	<u>3,475,722</u>
Other capital assets:				
Building	1,979,747	—	—	1,979,747
Furniture and fixtures	797,069	26,378	—	823,447
Computers	399,881	—	—	399,881
Vehicles	69,844	—	—	69,844
Total other capital assets at historical cost	<u>3,246,541</u>	<u>26,378</u>	<u>—</u>	<u>3,272,919</u>
Less accumulated depreciation for:				
Building	642,977	69,081	—	712,058
Furniture and fixtures	572,966	73,949	—	646,915
Computers	368,464	20,458	—	388,922
Vehicles	64,885	4,959	—	69,844
Total accumulated depreciation	<u>1,649,292</u>	<u>168,447</u>	<u>—</u>	<u>1,817,739</u>
Other capital assets, net	<u>1,597,249</u>	<u>(142,069)</u>	<u>—</u>	<u>1,455,180</u>
Capital assets, net	<u>\$ 5,072,971</u>	<u>(142,069)</u>	<u>—</u>	<u>4,930,902</u>

**(7) Operating Leases and Other Property Payments**

The Authority is a lessor of property under operating leases expiring in various years through 2088. The property was acquired in connection with the Authority's redevelopment activities, and has not been capitalized.



**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2004

Minimum future rentals to be received on all noncancelable operating leases as of June 30, 2004 for each of the next five years and thereafter are as follows:

	<u>Amount</u>
Year ending:	
2005	\$ 2,836,482
2006	2,836,482
2007	2,836,482
2008	2,836,482
2009	2,836,482
Thereafter	<u>155,566,427</u>
	<u>\$ 169,748,837</u>

The Authority is also a lessor of property under operating leases with terms of less than one year. Total rental income under short-term operating leases was \$7,851,545 for the year ended June 30, 2004.

The Authority receives a percentage of revenues from the sale and resale of real estate. The Authority received payments amounting to \$860,485 for the year ended June 30, 2004.

**(8) Noncurrent Liabilities**

The following is a summary of noncurrent liabilities by major category:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
Notes payable	\$ 1,950,000	—	—	1,950,000
Deposits	17,509,695	12,804,812	2,536,568	27,777,939
Vacation and sick leave	1,193,193	177,200	22,505	1,347,888
Due to designated projects	35,005,484	4,240,162	11,961,692	27,283,954
Due to the City of Boston	54,455,483	1,624,451	300,001	55,779,933
Other	<u>721,114</u>	<u>132,304</u>	<u>294,493</u>	<u>558,925</u>
	<u>\$ 110,834,969</u>	<u>18,978,929</u>	<u>15,115,259</u>	<u>114,698,639</u>

The timing of the repayment of the notes payable will be determined when certain future events occur (e.g., sale of related property). There is no established repayment schedule for the other noncurrent liabilities.

**(9) Risk Management**

The Authority is exposed to various risks of loss related to general liability, property and casualty, workers' compensation and employee health and life insurance claims.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2004

Buildings are fully insured against fire, theft and natural disaster to the extent that losses exceed appropriate deductible amounts per incident. The Authority provides for workers' compensation and health claims through premium based plans.

The Authority is involved in lawsuits concerning routine contract matters and public liability tort actions, the majority of which are covered by contractors', homeowners', landlords' and tenants' liability insurance policies. In addition, the Authority is involved in other litigation including land damage cases resulting from the acquisition of properties as a result of exercising its powers of eminent domain. Management believes that there is no significant liability associated with these claims.

**(10) Pension Plan**

**(a) Plan Description**

All full-time Authority employees are required to participate in the State-Boston Retirement System (the System), a cost-sharing multiple-employer, defined benefit pension plan. The System provides for retirement allowance benefits up to a maximum of 80% of an employee's highest three-year average annual rate of regular compensation. Benefit payments are based upon an employee's age, length of creditable service, level of compensation, and group classification. Employees become vested after 10 years of creditable service. A retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service. The System issues a publicly available financial report which can be obtained from the Boston Retirement Board, Room 816, City Hall, Boston, Massachusetts 02201.

**(b) Funding Policy**

Plan members are required to contribute to the System at rates ranging from 5% to 9% of annual covered compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. The Authority is required to pay into the System its share of the remaining systemwide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The Commonwealth of Massachusetts reimburses the System for a portion of benefit payments for cost-of-living increases granted prior to July 1, 1998. The contributions of plan members and the Authority are governed by Chapter 32 of the Massachusetts General Laws. The Authority's contributions to the System for the years ended June 30, 2004, 2003, and 2002 were \$1,429,692, \$1,324,801, and \$1,160,277, respectively, which equaled its required contribution for those years.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2004

**(11) Disposition of Development Sites**

Amounts due the Authority related to certain land disposition transactions are recorded as deferred revenues until such time as the transactions progress to the point that the Authority has earned the revenue based upon due dates specified in the agreements upon the achievement of certain milestones. At June 30, 2004, the Authority recorded \$33,944,305 of disposition receivables, of which \$166,000 will become due upon the achievement of certain milestones and the remaining \$33,778,305 will be due as follows:

	<u>Amount</u>
Year ending:	
2005	\$ 2,263,995
2006	2,263,995
2007	2,263,995
2008	2,263,995
2009	2,263,995
Thereafter	<u>22,458,330</u>
	<u>\$ 33,778,305</u>

For the year ended June 30, 2004, the Authority recorded revenue of \$2,081,529, which was previously recorded as deferred revenue.

**(12) Postemployment Benefits**

In addition to providing pension benefits, the Authority pays a portion of health care costs provided to certain of its retired employees. Costs incurred by the Authority are accounted for on a "pay-as-you-go" basis and were \$498,239 for the year ended June 30, 2004.

**(13) Convention Center**

The Commonwealth of Massachusetts enacted legislation (Chapter 152 of the Acts of 1997) (the Act) approving the financing and construction of a new convention and exhibition center (the Project). The Act requires that the Authority perform certain tasks in connection with the development of the Project. Those tasks include, among other items, acquiring properties and interests within the Project development area with the intention of conveying the acquired interests to the Massachusetts Convention Center Authority at a future date.

Pursuant to the Act, the Authority entered into a Cooperation Agreement with the City; whereby all Project costs incurred by the Authority are to be funded by the City. For the year ended June 30, 2004, the Authority recorded \$28,996,811 of Project expenses, principally for relocation payments.

**(14) Repayment of Cash Advance**

During fiscal year 2004, the Authority recognized a nonoperating expense totaling \$1,081,808. The nonoperating expense relates to amounts due to the City of Boston paid in fiscal year 2004. The corresponding revenue for the expense was recognized in a prior period.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Operating Fund Statement of Revenues and Expenses – Budget vs. Actual

Year ended June 30, 2004

(Unaudited)

	<u>Actual</u>	<u>Budget</u>	<u>Increase (decrease)</u>
Revenues:			
Rental, leases, and long-term agreements	\$ 10,578,632	8,720,400	1,858,232
Equity participation	860,485	660,000	200,485
Project income	2,750,002	3,317,700	(567,698)
Intergovernmental income	33,388	25,000	8,388
Interest income	69,028	115,000	(45,972)
Other income	241,111	85,000	156,111
Total revenues	<u>14,532,646</u>	<u>12,923,100</u>	<u>1,609,546</u>
Expenses:			
Personnel and fringe	9,797,678	10,023,628	(225,950)
Supplies and services	2,970,087	1,543,400	1,426,687
Contractual services	1,503,144	1,308,550	194,594
Other	177,165	—	177,165
Total expenses	<u>14,448,074</u>	<u>12,875,578</u>	<u>1,572,496</u>
Excess revenues over expenses	\$ <u>84,572</u>	<u>47,522</u>	<u>37,050</u>



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**Exhibit I**

**Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with  
*Government Auditing Standards***

The Board of Directors  
Boston Redevelopment Authority:

We have audited the financial statements of the Boston Redevelopment Authority, as of and for the year ended June 30, 2004, and have issued our report thereon dated October 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

October 1, 2004





**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Basic Financial Statements, Required Supplementary Information, and Exhibit

June 30, 2005

(With Independent Auditors' Report Thereon)

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

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## Independent Auditors' Report

The Board of Directors  
Boston Redevelopment Authority:

We have audited the accompanying financial statements of the Boston Redevelopment Authority (a component unit of the City of Boston) (the Authority) as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Boston Redevelopment Authority, as of June 30, 2005, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report (Exhibit I), dated November 11, 2005, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Schedule 1 (budget vs. actual expenses – operating fund) has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

KPMG LLP

November 11, 2005

## **BOSTON REDEVELOPMENT AUTHORITY**

(A Component Unit of the City of Boston)

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2005

The following is the management's discussion and analysis of the financial performance of the Boston Redevelopment Authority (the Authority) for the fiscal year ended June 30, 2005. This discussion is a narrative overview and analysis of the Authority's financial operations and should be read in conjunction with the accompanying financial statements.

### **Basic Financial Statements**

The basic financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used. Revenue is recorded when earned, and expenses are recorded when incurred. The financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. This report also includes notes accompanying the statements to fully explain the activities reported in them.

The statement of net assets presents information on the assets and liabilities of the Authority. The difference between the two is net assets. Over time, increases and decreases in net assets may be an indicator of the financial stability of the Authority.

The statement of revenues, expenses, and changes in net assets reports the operating revenues and expenses and the nonoperating revenues of the Authority for the fiscal year. The difference-increase or decrease in net assets then determines the net change in assets for the fiscal year. This change in net assets added to last year's net assets will reconcile to the total net assets for this fiscal year.

The statement of cash flows reports activity of cash and cash equivalents during the fiscal year.

### **Financial Highlights**

- Assets exceeded liabilities by \$9,048,915 at the close of the fiscal year.
- Operating revenues decreased \$26,541,713 or 56.8% from the previous year due to a decrease in intergovernmental revenues.
- Operating expenses decreased \$26,700,927 or 57.3% from the previous year due to decreases in contractual services and supplies.
- Nonoperating expenses decreased by \$1,081,808 due to this expense relating to a repayment of a cash advance to the City of Boston in Fiscal Year 2004.
- Net assets increased \$243,786 from last year.
- Cash and cash equivalents decreased by \$767,150 during the year.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Required Supplementary Information  
Management's Discussion and Analysis

June 30, 2005

**Financial Analysis of the Authority**

*Net Assets*

The Authority's net assets at June 30, 2005 were \$9,048,915, as shown in Table A-1. Total assets decreased by \$2,474,433 and total liabilities decreased by \$2,718,220.

**Table A-1**  
**Boston Redevelopment Authority's Net Assets**

	<u>2005</u>	<u>2004</u>	<u>Increase (decrease)</u>
Assets:			
Current assets	\$ 42,441,827	45,145,415	(2,703,588)
Notes receivable	79,789,705	78,008,332	1,781,373
Disposition of development sites	31,710,486	33,944,305	(2,233,819)
Capital assets	5,048,831	4,930,902	117,929
Other	936,770	373,098	563,672
Total assets	<u>159,927,619</u>	<u>162,402,052</u>	<u>(2,474,433)</u>
Liabilities:			
Current liabilities	4,047,584	4,531,170	(483,586)
Due to designated projects	27,127,913	27,283,954	(156,041)
Deposits	29,085,431	27,777,939	1,307,492
Due to City of Boston	55,054,522	55,779,933	(725,411)
Deferred revenue	31,502,826	34,367,114	(2,864,288)
Other	4,060,427	3,856,813	203,614
Total liabilities	<u>150,878,703</u>	<u>153,596,923</u>	<u>(2,718,220)</u>
Net assets:			
Invested in capital assets, net of related debt	3,573,831	3,455,902	117,929
Unrestricted	5,475,084	5,349,227	125,857
Total net assets	<u>\$ 9,048,915</u>	<u>8,805,129</u>	<u>243,786</u>

The decrease in total assets is primarily due to the decrease in cash and cash equivalents and disposition of development sites.

The decrease in total liabilities is due to a decrease in the deferred revenue. This decrease represents collections on previously deferred revenue.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Required Supplementary Information  
Management's Discussion and Analysis

June 30, 2005

**Capital Assets**

At the end of 2005, the Authority had \$5,048,831 invested in capital assets, which consists primarily of land held for redevelopment purposes within the City of Boston. There were no significant additions or disposals of capital assets during the year.

**Long-Term Obligations**

At year-end, the Authority had \$146,831,119 in long-term liabilities. The major components of this balance include amounts due to the City of Boston of \$55,054,522 and amounts due to designated projects of \$27,127,913. All of these amounts are related to the Authority's redevelopment activities. The amounts due to the City of Boston and to designated projects have been established to designate where loan repayments from the Authority's borrowers are to be paid.

**Table A-2**  
**Changes in the Boston Redevelopment Authority's Net Assets**

	2005	2004	Increase (decrease)
Operating revenue:			
Intergovernmental	\$ 4,085,429	31,957,525	(27,872,096)
Sale of property	4,235,650	2,750,002	1,485,648
Rent and other property payments	11,246,098	11,439,117	(193,019)
Other	595,817	558,063	37,754
Total operating revenues	<u>20,162,994</u>	<u>46,704,707</u>	<u>(26,541,713)</u>
Operating expenses:			
Contractual services	5,987,349	33,276,316	(27,288,967)
Personnel and fringe	11,027,306	9,892,159	1,135,147
Supplies and services	2,668,239	3,110,386	(442,147)
Other	236,314	341,274	(104,960)
Total operating expenses	<u>19,919,208</u>	<u>46,620,135</u>	<u>(26,700,927)</u>
Operating income	243,786	84,572	159,214
Nonoperating expenses	<u>—</u>	<u>(1,081,808)</u>	<u>1,081,808</u>
Change in net assets	243,786	(997,236)	1,241,022
Total net assets, beginning of year	<u>8,805,129</u>	<u>9,802,365</u>	<u>(997,236)</u>
Total net assets, end of year	<u>\$ 9,048,915</u>	<u>8,805,129</u>	<u>243,786</u>

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Required Supplementary Information  
Management's Discussion and Analysis

June 30, 2005

The decrease in operating revenues is primarily due to the reduced funding provided by the City of Boston relating to the completion of the Boston Convention and Exhibition Center (BCEC). These revenues are accounted for as intergovernmental revenue. The decrease in contractual services is due to the reduced BCEC activity.

**Request for Information**

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives to carry out the planning and economic development activities of the City of Boston. If you have any questions about this report contact the Secretary's Office, 9th Floor, City Hall.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Statement of Net Assets

June 30, 2005

**Assets**

Current assets:	
Cash and cash equivalents (note 3)	\$ 40,941,886
Accounts receivable:	
Rent	140,717
Intergovernmental	487,776
Other accounts receivable	<u>871,448</u>
Total current assets	<u>42,441,827</u>
Noncurrent assets:	
Notes receivable, net (note 4)	79,789,705
Disposition of development sites (note 11)	31,710,486
Capital assets (note 6):	
Land	3,475,722
Depreciable capital assets	3,535,721
Less accumulated depreciation	<u>(1,962,612)</u>
Total capital assets, net	5,048,831
Other assets	<u>936,770</u>
Total noncurrent assets	<u>117,485,792</u>
Total assets	<u>159,927,619</u>

**Liabilities**

Current liabilities:	
Accounts payable and accrued expenses	1,647,585
Deferred revenue, current portion (note 11)	<u>2,400,000</u>
Total current liabilities	<u>4,047,585</u>
Noncurrent liabilities:	
Notes payable (notes 5 and 8)	1,950,000
Deposits (note 8)	29,085,431
Vacation and sick leave (note 8)	1,543,793
Due to designated projects (notes 4 and 8)	27,127,913
Due to City of Boston (notes 4 and 8)	55,054,522
Deferred revenue (note 11)	31,502,826
Other (note 8)	<u>566,634</u>
Total noncurrent liabilities	<u>146,831,119</u>
Total liabilities	<u>150,878,704</u>

**Net Assets**

Invested in capital assets, net of related debt	3,573,831
Unrestricted	<u>5,475,084</u>
Total net assets	<u>\$ 9,048,915</u>

Commitments and contingencies (note 9)

See accompanying notes to basic financial statements.

**BOSTON REDEVELOPMENT AUTHORITY**

(A Component Unit of the City of Boston)

## Statement of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2005

Operating revenue:	
Intergovernmental (note 13)	\$ 4,085,429
Sale of property	4,235,650
Rent and other property payments (note 7)	11,246,098
Interest income	248,374
Other	347,443
	<hr/>
Total operating revenues	20,162,994
	<hr/>
Operating expenses:	
Personnel	8,211,358
Fringe benefits	2,815,948
Supplies and services	2,668,239
Contractual services (note 13)	5,987,349
Depreciation	144,873
Other	91,441
	<hr/>
Total operating expenses	19,919,208
	<hr/>
Increase in net assets	243,786
	<hr/>
Net assets, beginning of year	8,805,129
	<hr/>
Net assets, end of year	\$ 9,048,915
	<hr/>

See accompanying notes to basic financial statements.



**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Statement of Cash Flows

Year ended June 30, 2004

Cash flows from operating activities:	
Cash received from customers	\$ 21,854,317
Cash paid to employees	(10,831,401)
Cash paid to suppliers and consultants	(10,428,014)
Net cash provided by operating activities	<u>594,902</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(262,802)
Net cash used for capital and related financing activities	<u>(262,802)</u>
Cash flows from noncapital financing activities:	
Disbursements for development projects	(466,172)
Interest earnings on escrow deposits	248,374
Program grant disbursements and advance repayments	(156,041)
Payments to the City of Boston	(725,411)
Net cash used for noncapital financing activities	<u>(1,099,250)</u>
Decrease in cash and cash equivalents	(767,150)
Cash and cash equivalents, beginning of year	<u>41,709,036</u>
Cash and cash equivalents, end of year	<u><u>\$ 40,941,886</u></u>
Reconciliation of increase in net assets to net cash provided by operating activities:	
Increase in net assets	\$ 243,786
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	144,873
Interest income	(248,374)
Changes in operating assets and liabilities:	
Receivables	1,936,438
Disposition of development sites	2,233,819
Other assets	(563,672)
Accounts payable and accrued expenses	(1,117,313)
Vacation and sick leave	195,905
Deferred revenue	(2,230,560)
Net cash provided by operating activities	<u><u>\$ 594,902</u></u>

See accompanying notes to basic financial statements.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2005

**(1) The Authority**

The Boston Redevelopment Authority (the Authority) was established in 1957 pursuant to Chapter 121B, as amended, of the General Laws of Massachusetts, to administer community development projects and to function as the planning agency of the City of Boston (the City). The Authority is governed by a five-member board of directors appointed for terms of five years. The Authority is a component unit of the City.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as specified by the Governmental Accounting Standards Board's (GASB) requirements for an enterprise fund. Operating revenues and expenses result from the administering of community development projects within the City of Boston. All other revenues and expenses are reported as nonoperating revenues and expenses.

Under GASB Statement No. 20, *Accounting and Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority applies all Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, except those that conflict with or contradict GASB pronouncements.

**(b) Use of Estimates**

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(c) Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Authority considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.

**(d) Capital Assets**

Capital assets are valued at cost, or estimated historical cost if actual cost is not available. Cost includes not only purchase price or construction cost, but also ancillary charges necessary to place the asset in its intended location and condition for use.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2005

**(e) Depreciation**

The Authority provides for depreciation using the straight-line method. Depreciation is intended to distribute the cost of depreciable properties over the following estimated average useful lives:

	<u>Years</u>
Buildings	30
Furniture and fixtures	10
Vehicles	5
Computers	3

**(f) Compensated Absences**

Employees may accumulate unused vacation and sick leave as earned. Upon retirement, termination or death, employees are compensated for accumulated unused vacation. Sick leave accumulates at the rate of 1¼ days for each calendar month of service with no maximum limit. Upon termination, employees with twenty or more years of service may receive in cash 32% of their accrued but unused sick leave.

**(g) Deposits**

Deposits are funds given to the Authority by developers for the development of specific projects within the City of Boston.

**(h) Due to Designated Projects**

Due to designated projects represents funds that will be made available for housing projects within the City of Boston.

**(i) Due to the City of Boston**

Amounts due to the City of Boston consist of loans funded by the City of Boston and federal grants passed through the City of Boston for urban development and housing development projects. The Authority loans these funds to various not-for-profit community developers with repayments remitted to the City of Boston's neighborhood development fund.

**(3) Cash and Investments**

For the year ended June 30, 2005, the Authority has adopted Government Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*. The standard requires that entities disclose essential risk information about deposits and investments.

**(a) Custodial Credit Risk**

Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority carries deposits that are fully insured by FDIC insurance, as well as

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2005

uninsured deposits. As of June 30, 2005, the bank balances of uninsured deposits totaled \$29,489,412.

**(b) Investment Policy**

State and local statutes place certain limitations on the nature of deposits and investments available to the Authority. Deposits (including demand deposits, term deposits, and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

**(c) Interest Rate Risk**

As of June 30, 2005, the Authority's only investment was a fixed income mutual fund. The fair value of the mutual fund was \$11,255,833 and its weighted average maturity was 23 days.

**(d) Credit Risk**

As of June 30, 2005, the Authority's investment in the mutual fund was not rated.

**(4) Notes Receivable**

Notes receivable as of June 30, 2005 consist of the following amounts:

Notes receivable – real estate	\$ 2,568,000
Notes receivable – development and housing	20,103,566
Notes receivable – passed through the City of Boston	<u>57,128,218</u>
	79,799,784
	<u>(10,079)</u>
Less allowance for uncollectibles	
Notes receivable, net	<u><u>\$ 79,789,705</u></u>

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2005

Principal payments are due on the outstanding notes receivables as follows:

	<u>Amount</u>
Year ending June 30:	
2006	\$ 1,324,857
2007	9,900,000
2008	189,900
2009	—
2010	—
Thereafter	<u>68,374,948</u>
Total principal due	<u>\$ 79,789,705</u>

Notes receivable – real estate consist of loans made by the Authority for redevelopment projects.

Notes receivable – development and housing are loans provided by the Authority. Amounts collected are made available for new loans.

Notes receivable – passed through the City of Boston consist of loans funded by the City and Federal government under loan programs such as urban development and housing development action grants. The Authority loaned these pass-through funds to various not-for-profit community developers to accomplish their development and housing initiatives. The Authority administers these loans, with any repayment remitted to the City's neighborhood development fund. Because the loan repayments are contingent upon future events (e.g., cash flows) and the collectibility of such amounts is not assured, the receivables are fully deferred on the Authority's balance sheet.

Amounts due to the Authority, related to the notes receivable described above, are not recorded as revenues on the Authority's financial statements. Any collections on those notes are paid to the City of Boston or designated projects and are recorded as due to the City of Boston or due to designated projects on the Authority's financial statements.

**(5) China Trade Center**

In 1993, the Authority purchased the China Trade Center (CTC) from an unrelated party for approximately \$2,225,000, including past-due property taxes due to the City of approximately \$750,000. Funding for the purchase was provided by the City. In connection with the transaction, the City received from the Authority a noninterest-bearing mortgage note of \$1,475,000 due upon the sale or refinancing of the property. The Authority rents the space to various unrelated parties. The CTC is included in the Authority's capital asset balance at June 30, 2005.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2005

**(6) Capital Assets**

The following is a summary of activity by major categories of capital assets:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets not being depreciated:				
Land	\$ 3,475,722	—	—	3,475,722
Total capital assets not being depreciated	<u>3,475,722</u>	<u>—</u>	<u>—</u>	<u>3,475,722</u>
Other capital assets:				
Building	1,979,747	—	—	1,979,747
Furniture and fixtures	823,447	238,252	—	1,061,699
Computers	399,881	24,550	—	424,431
Vehicles	69,844	—	—	69,844
Total other capital assets at historical cost	<u>3,272,919</u>	<u>262,802</u>	<u>—</u>	<u>3,535,721</u>
Less accumulated depreciation for:				
Building	712,058	69,078	—	781,136
Furniture and fixtures	646,915	62,388	—	709,303
Computers	388,922	13,407	—	402,329
Vehicles	69,844	—	—	69,844
Total accumulated depreciation	<u>1,817,739</u>	<u>144,873</u>	<u>—</u>	<u>1,962,612</u>
Other capital assets, net	<u>1,455,180</u>	<u>117,929</u>	<u>—</u>	<u>1,573,109</u>
Capital assets, net	<u>\$ 4,930,902</u>	<u>117,929</u>	<u>—</u>	<u>5,048,831</u>

**(7) Operating Leases and Other Property Payments**

The Authority is a lessor of property under operating leases expiring in various years through 2088. The property was acquired in connection with the Authority's redevelopment activities, and has not been capitalized.

**BOSTON REDEVELOPMENT AUTHORITY**  
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Notes to Basic Financial Statements

June 30, 2005

Minimum future rentals to be received on all noncancelable operating leases as of June 30, 2005 for each of the next five years and thereafter are as follows:

	<u>Amount</u>
Year ending:	
2006	\$ 2,836,482
2007	2,836,482
2008	2,836,482
2009	2,836,482
2010	2,836,482
Thereafter	<u>158,402,909</u>
	<u>\$ 172,585,319</u>

The Authority is also a lessor of property under operating leases with terms of less than one year. Total rental income under short-term operating leases was \$7,619,982 for the year ended June 30, 2005.

The Authority receives a percentage of revenues from the sale and resale of real estate. The Authority received payments amounting to \$1,317,914 for the year ended June 30, 2005.

**(8) Noncurrent Liabilities**

The following is a summary of noncurrent liabilities by major category:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
Notes payable	\$ 1,950,000	—	—	1,950,000
Deposits	27,777,939	3,217,728	1,910,236	29,085,431
Vacation and sick leave	1,347,888	195,905	—	1,543,793
Due to designated projects	27,283,954	5,681,042	5,837,083	27,127,913
Due to the City of Boston	55,779,933	1,736,396	2,461,807	55,054,522
Other	558,925	275,345	267,636	566,634
	<u>\$ 114,698,639</u>	<u>11,106,416</u>	<u>10,476,762</u>	<u>115,328,293</u>

The timing of the repayment of the notes payable will be determined when certain future events occur (e.g., sale of related property). There is no established repayment schedule for the other noncurrent liabilities.

**(9) Risk Management**

The Authority is exposed to various risks of loss related to general liability, property and casualty, workers' compensation and employee health and life insurance claims.

## **BOSTON REDEVELOPMENT AUTHORITY**

(A Component Unit of the City of Boston)

### **Notes to Basic Financial Statements**

June 30, 2005

Buildings are fully insured against fire, theft and natural disaster to the extent that losses exceed appropriate deductible amounts per incident. The Authority provides for workers' compensation and health claims through premium based plans.

The Authority is involved in lawsuits concerning routine contract matters and public liability tort actions, the majority of which are covered by contractors', homeowners', landlords' and tenants' liability insurance policies. In addition, the Authority is involved in other litigation including land damage cases resulting from the acquisition of properties as a result of exercising its powers of eminent domain. Management believes that there is no significant liability associated with these claims.

#### **(10) Pension Plan**

##### **(a) Plan Description**

All full-time Authority employees are required to participate in the State-Boston Retirement System (the System), a cost-sharing multiple-employer, defined benefit pension plan. The System provides for retirement allowance benefits up to a maximum of 80% of an employee's highest three-year average annual rate of regular compensation. Benefit payments are based upon an employee's age, length of creditable service, level of compensation, and group classification. Employees become vested after 10 years of creditable service. A retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service. The System issues a publicly available financial report which can be obtained from the Boston Retirement Board, Room 816, City Hall, Boston, Massachusetts 02201.

##### **(b) Funding Policy**

Plan members are required to contribute to the System at rates ranging from 5% to 9% of annual covered compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. The Authority is required to pay into the System its share of the remaining systemwide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The Commonwealth of Massachusetts reimburses the System for a portion of benefit payments for cost-of-living increases granted prior to July 1, 1998. The contributions of plan members and the Authority are governed by Chapter 32 of the Massachusetts General Laws. The Authority's contributions to the System for the years ended June 30, 2005, 2004, and 2003 were \$1,420,937, \$1,429,692, and \$1,324,801, respectively, which equaled its required contribution for those years.



**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2005

**(11) Disposition of Development Sites**

Amounts due the Authority related to certain land disposition transactions are recorded as deferred revenues until such time as the transactions progress to the point that the Authority has earned the revenue based upon due dates specified in the agreements upon the achievement of certain milestones. At June 30, 2005, the Authority recorded \$31,710,486 of disposition receivables, of which \$166,000 will become due upon the achievement of certain milestones and the remaining \$31,544,486 will be due as follows:

	<u>Amount</u>
Year ending:	
2006	\$ 2,308,819
2007	2,308,819
2008	2,308,819
2009	2,308,819
2010	2,308,819
Thereafter	<u>20,000,391</u>
	<u>\$ 31,544,486</u>

For the year ended June 30, 2005, the Authority recorded revenue of \$2,308,819, which was previously recorded as deferred revenue.

**(12) Postemployment Benefits**

In addition to providing pension benefits, the Authority pays a portion of health care costs provided to certain of its retired employees. Costs incurred by the Authority are accounted for on a "pay-as-you-go" basis and were \$497,608 for the year ended June 30, 2005.

**(13) Convention Center**

The Commonwealth of Massachusetts enacted legislation (Chapter 152 of the Acts of 1997) (the Act) approving the financing and construction of a new convention and exhibition center (the Project). The Act requires that the Authority perform certain tasks in connection with the development of the Project. Those tasks include, among other items, acquiring properties and interests within the Project development area with the intention of conveying the acquired interests to the Massachusetts Convention Center Authority at a future date.

Pursuant to the Act, the Authority entered into a Cooperation Agreement with the City; whereby all Project costs incurred by the Authority are to be funded by the City. For the year ended June 30, 2005, the Authority recorded \$1,774,870 of Project expenses, principally for eminent domain land damage awards.

**BOSTON REDEVELOPMENT AUTHORITY**

(A Component Unit of the City of Boston)

## Operating Fund Statement of Revenues and Expenses – Budget vs. Actual

Year ended June 30, 2005

(Unaudited)

	<u>Actual</u>	<u>Budget</u>	<u>Variance over (under)</u>
Revenues:			
Rental, leases, and long-term agreements	\$ 9,928,184	9,372,000	556,184
Equity participation	1,317,914	690,000	627,914
Project income	4,235,650	5,438,000	(1,202,350)
Intergovernmental income	—	25,000	(25,000)
Interest income	58,382	60,000	(1,618)
Other income	272,789	100,000	172,789
Total revenues	<u>15,812,919</u>	<u>15,685,000</u>	<u>127,919</u>
Expenses:			
Personnel and fringe	10,939,702	11,385,030	(445,328)
Supplies and services	2,575,749	1,739,865	835,884
Contractual services	1,821,127	2,506,000	(684,873)
Other	232,555	—	232,555
Total expenses	<u>15,569,133</u>	<u>15,630,895</u>	<u>(61,762)</u>
Excess revenues over expenses	\$ <u>243,786</u>	<u>54,105</u>	<u>189,681</u>

See accompanying independent auditors' report.



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**Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with  
*Government Auditing Standards***

The Board of Directors  
Boston Redevelopment Authority:

We have audited the financial statements of the Boston Redevelopment Authority, as of and for the year ended June 30, 2005, and have issued our report thereon dated November 11, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

November 11, 2005





**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Basic Financial Statements, Required Supplementary  
Information, and Exhibit

June 30, 2006

(With Independent Auditors' Report Thereon)

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

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## Independent Auditors' Report

The Board of Directors  
Boston Redevelopment Authority:

We have audited the accompanying financial statements of the Boston Redevelopment Authority (the Authority), a component unit of the City of Boston, as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Boston Redevelopment Authority, as of June 30, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report (Exhibit I), dated October 20, 2006, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming an opinion on the financial statements. Schedule 1 (budget vs. actual expenses – operating fund) is presented for purposes of additional analysis and is not a required part of the financial statements. Schedule 1 (budget vs. actual expenses – operating fund) has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

KPMG LLP

October 20, 2006



**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Required Supplementary Information  
Management's Discussion and Analysis

June 30, 2006

The following is the management's discussion and analysis of the financial performance of the Boston Redevelopment Authority (the Authority) for the fiscal year ended June 30, 2006. This discussion is a narrative overview and analysis of the Authority's financial operations and should be read in conjunction with the accompanying financial statements.

**Basic Financial Statements**

The basic financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used. Revenue is recorded when earned, and expenses are recorded when incurred. The financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. This report also includes notes accompanying the statements to fully explain the activities reported in them.

The statement of net assets presents information on the assets and liabilities of the Authority. The difference between the two is net assets. Over time, increases and decreases in net assets may be an indicator of the financial stability of the Authority.

The statement of revenues, expenses, and changes in net assets reports the operating revenues and expenses and the nonoperating revenues of the Authority for the fiscal year. The difference-increase or decrease in net assets-then determines the net change in assets for the fiscal year. This change in net assets added to last year's net assets will reconcile to the total net assets for this fiscal year.

The statement of cash flows reports activity of cash and cash equivalents during the fiscal year.

**Financial Highlights**

- Assets exceeded liabilities by \$7,475,592 at the close of the fiscal year.
- Operating revenues decreased \$2,410,228 or 12.1% from the previous year due to a decrease in intergovernmental and sale of property revenues.
- Operating expenses decreased \$460,366 or 2.3% from the previous year primarily due to a decrease in contractual services which was offset by an increase in personnel and fringe costs.
- Net assets decreased \$1,573,323 from last year.
- Cash and cash equivalents decreased by \$1,898,596 during the year.

**BOSTON REDEVELOPMENT AUTHORITY**

(A Component Unit of the City of Boston)

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2006

**Financial Analysis of the Authority*****Net Assets***

The Authority's net assets at June 30, 2006 were \$7,475,592, as shown in Table A-1. Total assets decreased by \$866,775 and total liabilities increased by \$706,549.

**Table A-1****Boston Redevelopment Authority's Net Assets**

	<u>2006</u>	<u>2005*</u>	<u>Increase (decrease)</u>
Assets:			
Current assets	\$ 54,392,000	46,075,503	8,316,497
Notes receivable	66,927,985	78,464,848	(11,536,863)
Disposition receivables - development sites	28,295,546	29,401,667	(1,106,121)
Capital assets	8,422,440	5,048,831	3,373,609
Other	1,022,873	936,770	86,103
Total assets	<u>159,060,844</u>	<u>159,927,619</u>	<u>(866,775)</u>
Liabilities:			
Current liabilities	4,729,495	4,047,584	681,911
Due to designated projects	30,265,080	27,127,913	3,137,167
Deposits	31,006,893	29,085,431	1,921,462
Due to City of Boston	51,449,721	55,054,522	(3,604,801)
Deferred revenue	30,640,551	31,502,826	(862,275)
Other	3,493,512	4,060,427	(566,915)
Total liabilities	<u>151,585,252</u>	<u>150,878,703</u>	<u>706,549</u>
Net assets:			
Invested in capital assets, net of related debt	3,656,956	3,573,831	83,125
Unrestricted	<u>3,818,636</u>	<u>5,475,084</u>	<u>(1,656,448)</u>
Total net assets	<u>\$ 7,475,592</u>	<u>9,048,915</u>	<u>(1,573,323)</u>

\* Certain items have been reclassified to conform to the current year presentation

The decrease in total assets is primarily due to the decrease in cash and cash equivalents, notes receivable and disposition receivables – development sites, which was offset by an increase in capital assets.

The decrease in total liabilities is due to a decrease in the Due to City of Boston, this decrease represents a repayment of the Teradyne UDAG offset by an increase Due to Designated projects and an increase in Deposits.

**BOSTON REDEVELOPMENT AUTHORITY**

(A Component Unit of the City of Boston)

## Required Supplementary Information

## Management's Discussion and Analysis

June 30, 2006

***Capital Assets***

At the end of 2006, the Authority had \$8,422,440 invested in capital assets, which consists primarily of land held for redevelopment purposes within the City of Boston. There were significant additions of capital assets during the year specifically Land which was acquired for a specific project.

***Long-Term Obligations***

At year-end, the Authority had \$146,855,757 in long-term liabilities. The major components of this balance include amounts due to the City of Boston of \$51,449,721 and amounts due to designated projects of \$30,265,080. All of these amounts are related to the Authority's redevelopment activities. The amounts due to the City of Boston and to designated projects have been established to designate where loan repayments from the Authority's borrowers are to be paid.

**Table A-2****Changes in the Boston Redevelopment Authority's Net Assets**

	<u>2006</u>	<u>2005*</u>	<u>Increase (decrease)</u>
Operating revenue:			
Intergovernmental	\$ 2,457,541	4,085,429	(1,627,888)
Sale of property	3,249,269	4,235,650	(986,381)
Rent and other property payments	11,428,847	11,246,098	182,749
Other	368,735	347,443	21,292
Total operating revenues	<u>17,504,392</u>	<u>19,914,620</u>	<u>(2,410,228)</u>
Operating expenses:			
Contractual services	4,359,533	5,987,349	(1,627,816)
Personnel and fringe	12,122,019	11,027,306	1,094,713
Supplies and services	2,836,263	2,668,239	168,024
Other	141,027	236,314	(95,287)
Total operating expenses	<u>19,458,842</u>	<u>19,919,208</u>	<u>(460,366)</u>
Operating income	<u>(1,954,450)</u>	<u>(4,588)</u>	<u>(1,949,862)</u>
Nonoperating revenues	<u>381,127</u>	<u>248,374</u>	<u>132,753</u>
Change in net assets	<u>(1,573,323)</u>	<u>243,786</u>	<u>(1,817,109)</u>
Total net assets, beginning of year	<u>9,048,915</u>	<u>8,805,129</u>	<u>243,786</u>
Total net assets, end of year	<u>\$ 7,475,592</u>	<u>9,048,915</u>	<u>(1,573,323)</u>

\* Certain items have been reclassified to conform to the current year presentation

**BOSTON REDEVELOPMENT AUTHORITY**

(A Component Unit of the City of Boston)

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2006

The decrease in operating revenues is primarily due to the reduced funding provided by the City of Boston relating to the completion of the Boston Convention and Exhibition Center (BCEC). These revenues are accounted for as intergovernmental revenue. The decrease in contractual services is due to the reduced BCEC activity.

***Request for Information***

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives to carry out the planning and economic development activities of the City of Boston. If you have any questions about this report contact the Secretary's Office, 9th Floor, City Hall.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Statement of Net Assets

June 30, 2006

**Assets**

Current assets:	\$ 39,042,832
Cash and cash equivalents (note 3)	
Accounts receivable:	
Rent	647,127
Intergovernmental	524,401
Other accounts receivable	468,199
Prepaid assets	218,878
Notes receivable, net, current portion (note 4)	10,451,603
Disposition receivables - development sites, current portion (note 11)	<u>3,038,960</u>
Total current assets	<u>54,392,000</u>
Noncurrent assets:	
Notes receivable, net (note 4)	66,927,985
Disposition receivables - development sites (note 11)	28,295,546
Capital assets (note 6):	
Land	6,766,206
Depreciable capital assets	3,750,916
Less accumulated depreciation	<u>(2,094,682)</u>
Total capital assets, net	8,422,440
Other assets	<u>1,022,873</u>
Total noncurrent assets	<u>104,668,844</u>
Total assets	<u>159,060,844</u>

**Liabilities**

Current liabilities:	
Accounts payable and accrued expenses	1,690,535
Deferred revenue, current portion (note 11)	<u>3,038,960</u>
Total current liabilities	<u>4,729,495</u>
Noncurrent liabilities:	
Notes payable (notes 5 and 8)	1,475,000
Deposits (note 8)	31,006,893
Vacation and sick leave (note 8)	1,417,892
Due to designated projects (notes 4 and 8)	30,265,080
Due to City of Boston (notes 4 and 8)	51,449,721
Deferred revenue (note 11)	30,640,551
Other (note 8)	<u>600,620</u>
Total noncurrent liabilities	<u>146,855,757</u>
Total liabilities	<u>151,585,252</u>

**Net Assets**

Invested in capital assets, net of related debt	3,656,956
Unrestricted	<u>3,818,636</u>
Total net assets	<u>\$ 7,475,592</u>
Commitments and contingencies (note 9)	

See accompanying notes to basic financial statements.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Statement of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2006

Operating revenue:	
Intergovernmental (note 13)	\$ 2,457,541
Sale of property	3,249,269
Rent and other property payments (note 7)	11,428,847
Other	<u>368,735</u>
Total operating revenues	<u>17,504,392</u>
Operating expenses:	
Personnel	8,730,059
Fringe benefits	3,391,960
Supplies and services	2,836,263
Contractual services (note 13)	4,359,533
Depreciation	132,070
Other	<u>8,957</u>
Total operating expenses	<u>19,458,842</u>
Nonoperating revenues:	
Interest income	<u>381,127</u>
Total nonoperating revenues	<u>381,127</u>
Decrease in net assets	(1,573,323)
Net assets, beginning of year	<u>9,048,915</u>
Net assets, end of year	<u>\$ 7,475,592</u>

See accompanying notes to basic financial statements.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Statement of Cash Flows

Year ended June 30, 2006

Cash flows from operating activities:	
Cash received from customers	\$ 17,255,297
Cash paid to employees	(12,247,920)
Cash paid to suppliers and consultants	(7,204,810)
Net cash used for operating activities	<u>(2,197,433)</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	<u>(3,505,679)</u>
Net cash used for capital and related financing activities	<u>(3,505,679)</u>
Cash flows from noncapital financing activities:	
Receipts from development projects	4,366,023
Interest earnings on escrow deposits	381,127
Program grant disbursements and advance repayments	3,137,167
Repayment of notes	(475,000)
Payments to the City of Boston	(3,604,801)
Net cash provided by noncapital financing activities	<u>3,804,516</u>
Decrease in cash and cash equivalents	(1,898,596)
Cash and cash equivalents, beginning of year	<u>40,941,428</u>
Cash and cash equivalents, end of year	\$ <u><u>39,042,832</u></u>
Reconciliation of decrease in net assets to net cash provided by operating activities:	
Decrease in net assets	\$ (1,573,323)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	132,070
Interest income	(381,127)
Changes in operating assets and liabilities:	
Receivables	(401,760)
Disposition of development sites	375,980
Prepaid assets	43,096
Other assets	(86,103)
Accounts payable and accrued expenses	42,950
Vacation and sick leave	(125,901)
Deferred revenue	(223,315)
Net cash provided by operating activities	\$ <u><u>(2,197,433)</u></u>

See accompanying notes to basic financial statements.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2006

**(1) The Authority**

The Boston Redevelopment Authority (the Authority) was established in 1957 pursuant to Chapter 121B, as amended, of the General Laws of Massachusetts, to administer community development projects and to function as the planning agency of the City of Boston (the City). The Authority is governed by a five-member board of directors appointed for terms of five years. The Authority is a component unit of the City.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as specified by the Governmental Accounting Standards Board's (GASB) requirements for an enterprise fund. Operating revenues and expenses result from the administering of community development projects within the City of Boston. All other revenues and expenses are reported as nonoperating revenues and expenses.

Under GASB Statement No. 20, *Accounting and Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority applies all Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, except those that conflict with or contradict GASB pronouncements.

**(b) Use of Estimates**

The preparation of the basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(c) Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Authority considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.

**(d) Capital Assets**

Capital assets are valued at cost, or estimated historical cost if actual cost is not available. Cost includes not only purchase price or construction cost, but also ancillary charges necessary to place the asset in its intended location and condition for use.



**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2006

(e) ***Depreciation***

The Authority provides for depreciation using the straight-line method. Depreciation is intended to distribute the cost of depreciable properties over the following estimated average useful lives:

	<u>Years</u>
Buildings	30
Furniture and fixtures	10
Vehicles	5
Computers	3

(f) ***Compensated Absences***

Employees may accumulate unused vacation and sick leave as earned. Upon retirement, termination or death, employees are compensated for accumulated unused vacation up to a maximum of three times their annual accrual. Sick leave accumulates at the rate of 1¼ days for each calendar month of service with no maximum limit. Upon termination, employees with twenty or more years of service may receive in cash 32% of their accrued but unused sick leave.

(g) ***Deposits***

Deposits are funds given to the Authority by developers for the development of specific projects within the City of Boston.

(h) ***Due to Designated Projects***

Due to designated projects represents funds that will be made available for housing projects within the City of Boston.

(i) ***Due to the City of Boston***

Amounts due to the City of Boston consist of loans funded by the City of Boston and federal grants passed through the City of Boston for urban development and housing development projects. The Authority loans these funds to various not-for-profit community developers with repayments remitted to the City of Boston's neighborhood development fund.

(3) **Cash and Investments**

The Authority has adopted Government Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*. The standard requires that entities disclose essential risk information about deposits and investments.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2006

**(a) Custodial Credit Risk**

Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority carries deposits that are fully insured by FDIC insurance, as well as uninsured deposits. As of June 30, 2006, the bank balances of uninsured deposits totaled \$33,688,386.

**(b) Investment Policy**

State and local statutes place certain limitations on the nature of deposits and investments available to the Authority. Deposits (including demand deposits, term deposits, and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

**(c) Interest Rate Risk**

As of June 30, 2006, the Authority's only investment was a fixed income mutual fund. The fair value of the mutual fund was \$10,744,996 and its weighted average maturity was less than one year.

**(d) Credit Risk**

As of June 30, 2006, the Authority's investment in the mutual fund was not rated.

**(4) Notes Receivable**

Notes receivable as of June 30, 2006 consist of the following amounts:

Notes receivable – real estate	\$ 2,937,603
Notes receivable – development and housing	22,897,966
Notes receivable – passed through the City of Boston	<u>51,623,612</u>
	77,459,181
Less allowance for uncollectibles	<u>(79,593)</u>
Notes receivable, net	\$ <u><u>77,379,588</u></u>

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2006

Principal payments are due on the outstanding notes receivables as follows:

	<u>Amount</u>
Year ending June 30:	
2007	\$ 10,451,603
2008	189,900
2009	—
2010	—
2011	—
Thereafter	<u>66,817,678</u>
Total principal due	\$ <u><u>77,459,181</u></u>

Notes receivable – real estate consist of loans made by the Authority for redevelopment projects.

Notes receivable – development and housing are loans provided by the Authority. Amounts collected are made available for new loans.

Notes receivable – passed through the City of Boston consist of loans funded by the City and Federal government under loan programs such as urban development and housing development action grants. The Authority loaned these pass-through funds to various not-for-profit community developers to accomplish their development and housing initiatives. The Authority administers these loans, with any repayment remitted to the City's neighborhood development fund. Because the loan repayments are contingent upon future events (e.g., cash flows) and the collectibility of such amounts is not assured, the receivables are fully deferred on the Authority's balance sheet.

Amounts due to the Authority, related to the notes receivable described above, are not recorded as revenues on the Authority's financial statements. Any collections on those notes are paid to the City of Boston or designated projects and are recorded as due to the City of Boston or due to designated projects on the Authority's financial statements.

**(5) China Trade Center**

In 1993, the Authority purchased the China Trade Center (CTC) from an unrelated party for approximately \$2,225,000, including past-due property taxes due to the City of approximately \$750,000. Funding for the purchase was provided by the City. In connection with the transaction, the City received from the Authority a noninterest-bearing mortgage note of \$1,475,000 due upon the sale or refinancing of the property. The Authority rents the space to various unrelated parties. The CTC is included in the Authority's capital asset balance at June 30, 2006.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2006

**(6) Capital Assets**

The following is a summary of activity by major categories of capital assets:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets not being depreciated:				
Land	\$ 3,475,722	3,290,484	—	6,766,206
Total capital assets not being depreciated	<u>3,475,722</u>	<u>3,290,484</u>	<u>—</u>	<u>6,766,206</u>
Other capital assets:				
Building	1,979,747	113,484	—	2,093,231
Furniture and fixtures	1,061,699	77,143	—	1,138,842
Computers	424,431	24,568	—	448,999
Vehicles	69,844	—	—	69,844
Total other capital assets at historical cost	<u>3,535,721</u>	<u>215,195</u>	<u>—</u>	<u>3,750,916</u>
Less accumulated depreciation for:				
Building	781,136	69,081	—	850,217
Furniture and fixtures	709,303	49,507	—	758,810
Computers	402,329	13,482	—	415,811
Vehicles	69,844	—	—	69,844
Total accumulated depreciation	<u>1,962,612</u>	<u>132,070</u>	<u>—</u>	<u>2,094,682</u>
Other capital assets, net	<u>1,573,109</u>	<u>83,125</u>	<u>—</u>	<u>1,656,234</u>
Capital assets, net	<u>\$ 5,048,831</u>	<u>3,373,609</u>	<u>—</u>	<u>8,422,440</u>

**(7) Operating Leases and Other Property Payments**

The Authority is a lessor of property under operating leases expiring in various years through 2088. The property was acquired in connection with the Authority's redevelopment activities, and has not been capitalized.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2006

Minimum future rentals to be received on all noncancelable operating leases as of June 30, 2006 for each of the next five years and thereafter are as follows:

	<u>Amount</u>
Year ending:	
2007	\$ 2,884,499
2008	2,884,499
2009	2,884,499
2010	2,884,499
2011	2,884,499
Thereafter	<u>152,234,040</u>
	<u>\$ 166,656,535</u>

The Authority is also a lessor of property under operating leases with terms of less than one year. Total rental income under short-term operating leases was \$8,093,158 for the year ended June 30, 2006.

The Authority receives a percentage of revenues from the sale and resale of real estate. The Authority received payments amounting to \$877,716 for the year ended June 30, 2006.

**(8) Noncurrent Liabilities**

The following is a summary of noncurrent liabilities by major category:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
Notes payable	\$ 1,950,000	—	475,000	1,475,000
Deposits	29,085,431	9,808,189	7,886,727	31,006,893
Vacation and sick leave	1,543,793	—	125,901	1,417,892
Due to designated projects	27,127,913	6,119,309	2,982,142	30,265,080
Due to the City of Boston	55,054,522	1,800,088	5,404,889	51,449,721
Other	566,634	101,590	67,604	600,620
	<u>\$ 115,328,293</u>	<u>17,829,176</u>	<u>16,942,263</u>	<u>116,215,206</u>

The timing of the repayment of the notes payable will be determined when certain future events occur (e.g., sale of related property). There is no established repayment schedule for the other noncurrent liabilities.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2006

**(9) Risk Management**

The Authority is exposed to various risks of loss related to general liability, property and casualty, workers' compensation and employee health and life insurance claims.

Buildings are fully insured against fire, theft and natural disaster to the extent that losses exceed appropriate deductible amounts per incident. The Authority provides for workers' compensation and health claims through premium based plans.

The Authority is involved in lawsuits concerning routine contract matters and public liability tort actions, the majority of which are covered by contractors', homeowners', landlords' and tenants' liability insurance policies. In addition, the Authority is involved in other litigation including land damage cases resulting from the acquisition of properties as a result of exercising its powers of eminent domain. Management believes that there is no significant liability associated with these claims.

**(10) Pension Plan**

**(a) Plan Description**

All full-time Authority employees are required to participate in the State-Boston Retirement System (the System), a cost-sharing multiple-employer, defined benefit pension plan. The System provides for retirement allowance benefits up to a maximum of 80% of an employee's highest three-year average annual rate of regular compensation. Benefit payments are based upon an employee's age, length of creditable service, level of compensation, and group classification. Employees become vested after 10 years of creditable service. A retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service. The System issues a publicly available financial report which can be obtained from the Boston Retirement Board, Room 816, City Hall, Boston, Massachusetts 02201.

**(b) Funding Policy**

Plan members are required to contribute to the System at rates ranging from 5% to 9% of annual covered compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. The Authority is required to pay into the System its share of the remaining systemwide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The Commonwealth of Massachusetts reimburses the System for a portion of benefit payments for cost-of-living increases granted prior to July 1, 1998. The contributions of plan members and the Authority are governed by Chapter 32 of the Massachusetts General Laws. The Authority's contributions to the System for the years ended June 30, 2006, 2005, and 2004 were \$1,723,571, \$1,420,937, and \$1,429,692, respectively, which equaled its required contribution for those years.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2006

**(11) Disposition Receivables – Development Sites**

Amounts due the Authority related to certain land disposition transactions are recorded as deferred revenues until such time as the transactions progress to the point that the Authority has earned the revenue based upon due dates specified in the agreements or upon the achievement of certain milestones. At June 30, 2006, the Authority recorded \$31,334,509 of disposition receivables, of which \$166,000 will become due upon the achievement of certain milestones and the remaining \$31,168,509 will be due as follows:

	<u>Amount</u>
Year ending:	
2007	\$ 3,038,960
2008	3,038,960
2009	2,688,960
2010	2,188,960
2011	1,813,960
Thereafter	<u>18,398,709</u>
	\$ <u><u>31,168,509</u></u>

For the year ended June 30, 2006, the Authority recorded revenue of \$2,663,980, which was previously recorded as deferred revenue.

**(12) Postemployment Benefits**

In addition to providing pension benefits, the Authority pays a portion of health care costs provided to certain of its retired employees. Costs incurred by the Authority are accounted for on a “pay-as-you-go” basis and were \$574,665 for the year ended June 30, 2006.

**(13) Convention Center**

The Commonwealth of Massachusetts enacted legislation (Chapter 152 of the Acts of 1997) (the Act) approving the financing and construction of a new convention and exhibition center (the Project). The Act requires that the Authority perform certain tasks in connection with the development of the Project. Those tasks include, among other items, acquiring properties and interests within the Project development area with the intention of conveying the acquired interests to the Massachusetts Convention Center Authority at a future date.

Pursuant to the Act, the Authority entered into a Cooperation Agreement with the City whereby all Project costs incurred by the Authority are to be funded by the City. For the year ended June 30, 2006, the Authority recorded \$210,861 of Project expenses, principally for eminent domain land damage awards.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Operating Fund Statement of Revenues and Expenses – Budget vs. Actual

Year ended June 30, 2006

(Unaudited)

	<u>Actual</u>	<u>Budget</u>	<u>Variance over (under)</u>
Revenues:			
Rental, leases, and long-term agreements	\$ 10,551,132	10,140,000	411,132
Equity participation	877,716	1,335,000	(457,284)
Project income	3,249,269	3,865,000	(615,731)
Interest income	185,452	40,000	145,452
Other income	335,735	100,000	235,735
Total revenues	<u>15,199,304</u>	<u>15,480,000</u>	<u>(280,696)</u>
Expenses:			
Personnel and fringe	11,809,063	11,558,004	251,059
Supplies and services	2,836,363	1,746,815	1,089,548
Contractual services	1,720,031	2,112,100	(392,069)
Other	141,027	—	141,027
Total expenses	<u>16,506,484</u>	<u>15,416,919</u>	<u>1,089,565</u>
Excess expenses over revenues	\$ <u>(1,307,180)</u>	<u>63,081</u>	<u>(1,370,261)</u>

See accompanying independent auditors' report.





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**Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with  
*Government Auditing Standards***

The Board of Directors  
Boston Redevelopment Authority:

We have audited the financial statements of the Boston Redevelopment Authority, as of and for the year ended June 30, 2006, and have issued our report thereon dated October 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

October 20, 2006





**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Basic Financial Statements, Required Supplementary  
Information, and Exhibit

June 30, 2007

(With Independent Auditors' Report Thereon)

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

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## Independent Auditors' Report

The Board of Directors  
Boston Redevelopment Authority:

We have audited the accompanying statement of net assets of the Boston Redevelopment Authority (a component unit of the City of Boston) as of June 30, 2007, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Boston Redevelopment Authority's (the Authority) management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2007, and the changes in net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2007 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Authority taken as a whole. Schedule 1 (budget vs. actual expenses – operating fund) is presented for the purposes of



additional analysis and is not a required part of the financial statements. Schedule 1 (budget vs. actual expenses – operating fund) has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

KPMG LLP

November 29, 2007

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2007

(Unaudited)

The following is the management's discussion and analysis of the financial performance of the Boston Redevelopment Authority (the Authority) for the fiscal year ended June 30, 2007. This discussion is a narrative overview and analysis of the Authority's financial operations and should be read in conjunction with the accompanying financial statements.

**Basic Financial Statements**

The basic financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used. Revenue is recorded when earned, and expenses are recorded when incurred. The financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. This report also includes notes accompanying the statements to fully explain the activities reported in them.

The statement of net assets presents information on the assets and liabilities of the Authority. The difference between the two is net assets. Over time, increases and decreases in net assets may be an indicator of the financial stability of the Authority.

The statement of revenues, expenses, and changes in net assets reports the operating revenues and expenses and the nonoperating revenues of the Authority for the fiscal year. The difference—increase or decrease in net assets—then determines the net change in assets for the fiscal year. This change in net assets added to last year's net assets will reconcile to the total net assets for this fiscal year.

The statement of cash flows reports activity of cash and cash equivalents during the fiscal year.

**Financial Highlights**

- Assets exceeded liabilities by \$7,544,272 at the close of the fiscal year.
- Operating revenues increased \$6,977,367 or 39.9% from the previous year due to an increase in intergovernmental and sale of property revenues.
- Operating expenses increased \$6,084,357 or 31.3% from the previous year primarily due to increases in contractual services and personnel and fringe costs.
- Net assets increased \$68,680 from last year.
- Cash and cash equivalents increased by \$4,786,897 during the year.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2007

(Unaudited)

**Financial Analysis of the Authority**

*Net Assets*

The Authority's net assets at June 30, 2007 were \$7,544,272, as shown in Table A-1. Total assets increased by \$5,341,841 and total liabilities increased by \$5,273,161.

**Table A-1**

**Boston Redevelopment Authority's Net Assets**

	<u>2007</u>	<u>2006</u>	<u>Increase (decrease)</u>
Assets:			
Current assets	\$ 48,171,405	54,392,000	(6,220,595)
Noncurrent assets:			
Notes receivable	75,488,704	66,927,985	8,560,719
Disposition receivables – development sites	25,612,030	28,295,546	(2,683,516)
Capital assets	14,086,546	8,422,440	5,664,106
Other	<u>1,044,000</u>	<u>1,022,873</u>	<u>21,127</u>
Total assets	<u>164,402,685</u>	<u>159,060,844</u>	<u>5,341,841</u>
Liabilities:			
Current liabilities	4,609,077	4,729,495	(120,418)
Noncurrent liabilities:			
Due to designated projects	33,136,154	30,265,080	2,871,074
Deposits	31,379,305	31,006,893	372,412
Due to City of Boston	57,148,421	51,449,721	5,698,700
Deferred revenue	26,960,190	30,640,551	(3,680,361)
Other	<u>3,625,266</u>	<u>3,493,512</u>	<u>131,754</u>
Total liabilities	<u>156,858,413</u>	<u>151,585,252</u>	<u>5,273,161</u>
Net assets:			
Invested in capital assets, net of related debt	6,003,596	3,656,956	2,346,640
Unrestricted	<u>1,540,676</u>	<u>3,818,636</u>	<u>(2,277,960)</u>
Total net assets	<u>\$ 7,544,272</u>	<u>7,475,592</u>	<u>68,680</u>

The increase in total assets is primarily due to increases in cash and cash equivalents, capital assets and notes receivable offset by a decrease in disposition receivables – development sites.

The increase in total liabilities is due to an increase in the Due to City of Boston.



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Management's Discussion and Analysis

June 30, 2007  
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**Capital Assets**

At the end of 2007, the Authority had \$14,086,546 invested in capital assets, which consists primarily of land held for redevelopment purposes within the City of Boston. There were significant additions of capital assets during the year, including land which was acquired for a specific project.

**Long-Term Obligations**

At year-end, the Authority had \$152,249,336 in long-term liabilities. The major components of this balance include amounts due to the City of Boston of \$57,148,421 and amounts due to designated projects of \$33,136,154. All of these amounts are related to the Authority's redevelopment activities. The amounts due to the City of Boston and to designated projects have been established to designate where loan repayments from the Authority's borrowers are to be paid.

**Table A-2**  
**Changes in the Boston Redevelopment Authority's Net Assets**

	<u>2007</u>	<u>2006</u>	<u>Increase (decrease)</u>
Operating revenue:			
Intergovernmental	\$ 7,761,135	2,457,541	5,303,594
Sale of property	7,131,590	6,232,593	898,997
Rent and other property payments	8,906,116	8,445,523	460,593
Other	682,918	368,735	314,183
Total operating revenues	<u>24,481,759</u>	<u>17,504,392</u>	<u>6,977,367</u>
Operating expenses:			
Contractual services	9,568,488	4,359,533	5,208,955
Personnel and fringe	12,927,331	12,122,019	805,312
Supplies and services	2,861,038	2,836,263	24,775
Other	186,342	141,027	45,315
Total operating expenses	<u>25,543,199</u>	<u>19,458,842</u>	<u>6,084,357</u>
Operating income	(1,061,440)	(1,954,450)	893,010
Nonoperating revenues	<u>1,130,120</u>	<u>381,127</u>	<u>748,993</u>
Change in net assets	68,680	(1,573,323)	1,642,003
Total net assets, beginning of year	<u>7,475,592</u>	<u>9,048,915</u>	<u>(1,573,323)</u>
Total net assets, end of year	\$ <u><u>7,544,272</u></u>	<u><u>7,475,592</u></u>	<u><u>68,680</u></u>

\*Certain 2006 amounts were reclassified to conform to the 2007 presentation

**BOSTON REDEVELOPMENT AUTHORITY**  
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June 30, 2007

(Unaudited)

The increase in operating revenues is primarily due to an eminent domain settlement provided by the City of Boston relating to the completion of the Boston Convention and Exhibition Center (BCEC). These revenues are accounted for as intergovernmental revenue. Further, sale of property for development also contributed to the increase in operating revenues.

***Request for Information***

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives to carry out the planning and economic development activities of the City of Boston. If you have any questions about this report contact the Secretary's Office, 9th Floor, City Hall.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Statement of Net Assets

June 30, 2007

**Assets**

Current assets:	\$ 43,829,729
Cash and cash equivalents (note 3)	
Accounts receivable:	
Rent	302,748
Intergovernmental	431,435
Other accounts receivable	438,286
Prepaid assets	200,813
Notes receivable, net, current portion (note 4)	357,400
Disposition receivables – development sites, current portion (note 11)	<u>2,610,994</u>
Total current assets	<u>48,171,405</u>
Noncurrent assets:	75,488,704
Notes receivable, net (note 4)	25,612,030
Disposition receivables – development sites (note 11)	
Capital assets (note 6):	10,519,808
Non-depreciable	5,832,814
Depreciable	<u>(2,266,076)</u>
Less accumulated depreciation	
Total capital assets, net	14,086,546
Other assets	<u>1,044,000</u>
Total noncurrent assets	<u>116,231,280</u>
Total assets	<u>164,402,685</u>

**Liabilities**

Current liabilities:	1,498,083
Accounts payable and accrued expenses	3,110,994
Deferred revenue, current portion (note 11)	<u>4,609,077</u>
Total current liabilities	
Noncurrent liabilities:	1,475,000
Notes payable (notes 5 and 8)	31,379,305
Deposits (note 8)	1,614,881
Vacation and sick leave (note 8)	33,136,154
Due to designated projects (notes 4 and 8)	57,148,421
Due to City of Boston (notes 4 and 8)	26,960,190
Deferred revenue (note 11)	535,385
Other (note 8)	<u>152,249,336</u>
Total noncurrent liabilities	<u>156,858,413</u>
Total liabilities	

**Net Assets**

Invested in capital assets, net of related debt	6,003,596
Unrestricted	<u>1,540,676</u>
Total net assets	<u>\$ 7,544,272</u>
Commitments and contingencies (note 9)	

See accompanying notes to basic financial statements.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Statement of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2007

Operating revenue:	\$ 7,761,135
Intergovernmental (note 13)	7,131,590
Sale of property	8,906,116
Rent and other property payments (note 7)	682,918
Other	<u>24,481,759</u>
Total operating revenues	
Operating expenses:	9,305,473
Personnel	3,621,858
Fringe benefits	2,861,038
Supplies and services	9,568,488
Contractual services (note 13)	171,394
Depreciation	14,948
Other	<u>25,543,199</u>
Total operating expenses	
Operating loss	(1,061,440)
Nonoperating revenues:	<u>1,130,120</u>
Interest income	<u>1,130,120</u>
Total nonoperating revenues	
Increase in net assets	68,680
Net assets, beginning of year	<u>7,475,592</u>
Net assets, end of year	<u><u>\$ 7,544,272</u></u>

See accompanying notes to basic financial statements.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Statement of Cash Flows

Year ended June 30, 2007

Cash flows from operating activities:	\$ 24,452,172
Cash received from customers	(12,730,342)
Cash paid to employees	(12,639,988)
Cash paid to suppliers and consultants	<u>(918,158)</u>
Net cash used for operating activities	
Cash flows from capital and related financing activities:	<u>(5,835,500)</u>
Purchases of capital assets	<u>(5,835,500)</u>
Net cash used for capital and related financing activities	
Cash flows from noncapital financing activities:	1,840,661
Receipts from development projects	1,130,120
Interest earnings on escrow deposits	2,871,074
Program grant receipts and advances	<u>5,698,700</u>
Receipts from the City of Boston	<u>11,540,555</u>
Net cash provided by noncapital financing activities	4,786,897
Increase in cash and cash equivalents	<u>39,042,832</u>
Cash and cash equivalents, beginning of year	\$ 43,829,729
Cash and cash equivalents, end of year	<u><u>\$ 82,872,561</u></u>
Reconciliation of decrease in net assets to net cash provided by operating activities:	\$ (1,061,440)
Operating loss	
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	171,394
Depreciation	
Changes in operating assets and liabilities:	467,258
Receivables	3,111,482
Disposition of development sites	18,065
Prepaid assets	(21,127)
Other assets	(192,452)
Accounts payable and accrued expenses	196,989
Vacation and sick leave	<u>(3,608,327)</u>
Deferred revenue	<u>(918,158)</u>
Net cash used for operating activities	<u><u>\$ (918,158)</u></u>

See accompanying notes to basic financial statements.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2007

**(1) The Authority**

The Boston Redevelopment Authority (the Authority) was established in 1957 pursuant to Chapter 121B, as amended, of the General Laws of Massachusetts, to administer community development projects and to function as the planning agency of the City of Boston (the City). The Authority is governed by a five-member board of directors appointed for terms of five years. The Authority is a component unit of the City.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as specified by the Governmental Accounting Standards Board's (GASB) requirements for an enterprise fund. Operating revenues and expenses result from the administering of community development projects within the City of Boston. All other revenues and expenses are reported as nonoperating revenues and expenses.

Under GASB Statement No. 20, *Accounting and Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority applies all Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, except those that conflict with or contradict GASB pronouncements.

**(b) Use of Estimates**

The preparation of the basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(c) Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Authority considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.

**(d) Capital Assets**

Capital assets are valued at cost, or estimated historical cost if actual cost is not available. Cost includes not only purchase price or construction cost, but also ancillary charges necessary to place the asset in its intended location and condition for use.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2007

**(e) Depreciation**

The Authority provides for depreciation using the straight-line method. Depreciation is intended to distribute the cost of depreciable properties over the following estimated average useful lives:

	<u>Years</u>
Buildings	30
Furniture and fixtures	10
Vehicles	5
Computers	3

**(f) Compensated Absences**

Employees may accumulate unused vacation and sick leave as earned. Upon retirement, termination or death, employees are compensated for accumulated unused vacation up to a maximum of three times their annual accrual. Sick leave accumulates at the rate of 1¼ days for each calendar month of service with no maximum limit. Upon termination, employees with twenty or more years of service may receive in cash 32% of their accrued but unused sick leave.

**(g) Deposits**

Deposits are funds given to the Authority by developers for the development of specific projects within the City of Boston.

**(h) Due to Designated Projects**

Due to designated projects represents funds that will be made available for housing projects within the City of Boston.

**(i) Due to the City of Boston**

Amounts due to the City of Boston consist of loans funded by the City of Boston and federal grants passed through the City of Boston for urban development and housing development projects. The Authority loans these funds to various not-for-profit community developers with repayments remitted to the City of Boston's neighborhood development fund.

**(3) Cash and Investments**

The Authority follows Government Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, which requires that entities disclose essential risk information about deposits and investments.

**BOSTON REDEVELOPMENT AUTHORITY**  
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Notes to Basic Financial Statements

June 30, 2007

**(a) Custodial Credit Risk**

Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority carries deposits that are fully insured by FDIC insurance, as well as uninsured deposits. As of June 30, 2007, the bank balances of uninsured deposits totaled \$33,064,080.

**(b) Investment Policy**

State and local statutes place certain limitations on the nature of deposits and investments available to the Authority. Deposits (including demand deposits, term deposits, and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

**(c) Interest Rate Risk**

As of June 30, 2007, the Authority's only investment was a fixed income money market fund. The fair value of the money market fund was \$11,148,931 and its weighted average maturity was less than one year.

**(d) Credit Risk**

As of June 30, 2007, the Authority's investment in the money market fund was not rated.

**(4) Notes Receivable**

Notes receivable as of June 30, 2007 consist of the following amounts:

Notes receivable – real estate	\$ 2,861,603
Notes receivable – development and housing	22,444,175
Notes receivable – passed through the City of Boston	<u>50,575,898</u>
	75,881,676
	<u>(35,572)</u>
Less allowance for uncollectibles	\$ <u><u>75,846,104</u></u>
Notes receivable, net	



**BOSTON REDEVELOPMENT AUTHORITY**  
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Notes to Basic Financial Statements

June 30, 2007

Principal payments are due on the outstanding notes receivables as follows:

	<u>Amount</u>
Year ending June 30:	
2008	\$ 357,400
2009	4,075,133
2010	50,000
2011	50,000
2012	—
Thereafter	<u>71,349,143</u>
Total principal due	<u>\$ 75,881,676</u>

Notes receivable – real estate consist of loans made by the Authority for redevelopment projects.

Notes receivable – development and housing are loans provided by the Authority. Amounts collected are made available for new loans.

Notes receivable – passed through the City of Boston consist of loans funded by the City and Federal government under loan programs such as urban development and housing development action grants. The Authority loaned these pass-through funds to various not-for-profit community developers to accomplish their development and housing initiatives. The Authority administers these loans, with any repayment remitted to the City's neighborhood development fund. Because the loan repayments are contingent upon future events (e.g., cash flows) and the collectibility of such amounts is not assured, the receivables are fully deferred on the Authority's balance sheet.

Amounts due to the Authority, related to the notes receivable described above, are not recorded as revenues on the Authority's financial statements. Any collections on those notes are paid to the City of Boston or designated projects and are recorded as due to the City of Boston or due to designated projects on the Authority's financial statements.

**(5) China Trade Center**

In 1993, the Authority purchased the China Trade Center (CTC) from an unrelated party for approximately \$2,225,000, including past-due property taxes due to the City of approximately \$750,000. Funding for the purchase was provided by the City. In connection with the transaction, the City received from the Authority a noninterest-bearing mortgage note of \$1,475,000 due upon the sale or refinancing of the property. The Authority rents the space to various unrelated parties. The CTC is included in the Authority's capital asset balance at June 30, 2007.

**BOSTON REDEVELOPMENT AUTHORITY**  
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Notes to Basic Financial Statements

June 30, 2007

**(6) Capital Assets**

The following is a summary of activity by major categories of capital assets:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets not being depreciated:				
Construction in Progress	—	436,136	—	436,136
Land	\$ 6,766,206	3,317,466	—	10,083,672
Total capital assets not being depreciated	<u>6,766,206</u>	<u>3,753,602</u>	<u>—</u>	<u>10,519,808</u>
Other capital assets:				
Building	2,093,231	1,720,000	—	3,813,231
Furniture and fixtures	1,138,842	290,044	—	1,428,886
Computers	448,999	63,474	—	512,473
Vehicles	69,844	8,380	—	78,224
Total other capital assets at historical cost	<u>3,750,916</u>	<u>2,081,898</u>	<u>—</u>	<u>5,832,814</u>
Less accumulated depreciation for:				
Building	850,217	72,864	—	923,081
Furniture and fixtures	758,810	72,844	—	831,654
Computers	415,811	25,686	—	441,497
Vehicles	69,844	—	—	69,844
Total accumulated depreciation	<u>2,094,682</u>	<u>171,394</u>	<u>—</u>	<u>2,266,076</u>
Other capital assets, net	<u>1,656,234</u>	<u>1,910,504</u>	<u>—</u>	<u>3,566,738</u>
Capital assets, net	<u>\$ 8,422,440</u>	<u>5,664,106</u>	<u>—</u>	<u>14,086,546</u>

**(7) Operating Leases and Other Property Payments**

The Authority is a lessor of property under operating leases expiring in various years through 2088. The property was acquired in connection with the Authority's redevelopment activities, and has not been capitalized.

**BOSTON REDEVELOPMENT AUTHORITY**  
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Notes to Basic Financial Statements

June 30, 2007

Minimum future rentals to be received on all noncancelable operating leases as of June 30, 2007 for each of the next five years and thereafter are as follows:

	<u>Amount</u>
Year ending:	
2008	\$ 1,614,307
2009	1,614,307
2010	1,614,307
2011	1,614,307
2012	1,614,307
Thereafter	<u>81,996,103</u>
	<u>\$ 90,067,638</u>

The Authority is also a lessor of property under operating leases with terms of less than one year. Total rental income under short-term operating leases was \$795,290 for the year ended June 30, 2007.

The Authority receives a percentage of revenues from the sale and resale of real estate. The Authority received payments amounting to \$1,366,959 for the year ended June 30, 2007.

**(8) Long-term Liabilities**

The following is a summary of long-term liabilities by major category:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
Notes payable	\$ 1,475,000	—	—	1,475,000
Deposits	31,006,893	3,889,411	3,516,999	31,379,305
Vacation and sick leave	1,417,892	196,989	—	1,614,881
Due to designated projects	30,265,080	12,267,664	9,396,590	33,136,154
Due to the City of Boston	51,449,721	8,667,523	2,968,803	57,148,441
Deferred revenue	33,679,511	105,667	3,713,994	30,071,184
Other	600,620	209,506	274,741	535,385
	<u>\$ 149,894,717</u>	<u>25,336,760</u>	<u>19,871,127</u>	<u>155,360,350</u>

The timing of the repayment of the notes payable will be determined when certain future events occur (e.g., sale of related property). There is no established repayment schedule for the other noncurrent liabilities.

**(9) Risk Management**

The Authority is exposed to various risks of loss related to general liability, property and casualty, workers' compensation and employee health and life insurance claims.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2007

Buildings are fully insured against fire, theft and natural disaster to the extent that losses exceed appropriate deductible amounts per incident. The Authority provides for workers' compensation and health claims through premium based plans.

The Authority is involved in lawsuits concerning routine contract matters and public liability tort actions, the majority of which are covered by contractors', homeowners', landlords' and tenants' liability insurance policies. In addition, the Authority is involved in other litigation including land damage cases resulting from the acquisition of properties as a result of exercising its powers of eminent domain. Management believes that there is no significant liability associated with these claims.

**(10) Pension Plan**

**(a) Plan Description**

All full-time Authority employees are required to participate in the State-Boston Retirement System (the System), a cost-sharing, multiple-employer defined benefit pension plan. The System provides for retirement allowance benefits up to a maximum of 80% of an employee's highest three-year average annual rate of regular compensation. Benefit payments are based upon an employee's age, length of creditable service, level of compensation, and group classification. Employees become vested after 10 years of creditable service. A retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service. The System issues a publicly available financial report which can be obtained from the Boston Retirement Board, Room 816, City Hall, Boston, Massachusetts 02201.

**(b) Funding Policy**

Plan members are required to contribute to the System at rates ranging from 5% to 9% of annual covered compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. The Authority is required to pay into the System its share of the remaining systemwide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The Commonwealth of Massachusetts reimburses the System for a portion of benefit payments for cost-of-living increases granted prior to July 1, 1998. The contributions of plan members and the Authority are governed by Chapter 32 of the Massachusetts General Laws. The Authority's contributions to the System for the years ended June 30, 2007, 2006, and 2005 were \$1,908,177, \$1,723,571, and \$1,420,937, respectively, which equaled its required contribution for those years.

**BOSTON REDEVELOPMENT AUTHORITY**  
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Notes to Basic Financial Statements

June 30, 2007

**(11) Disposition Receivables – Development Sites**

Amounts due the Authority related to certain land disposition transactions are recorded as deferred revenues until such time as the transactions progress to the point that the Authority has earned the revenue based upon due dates specified in the agreements or upon the achievement of certain milestones. At June 30, 2007, the Authority recorded \$28,223,024 of disposition receivables, of which \$166,000 will become due upon the achievement of certain milestones and the remaining \$28,057,024 will be due as follows:

	<u>Amount</u>
Year ending:	
2008	\$ 2,610,994
2009	3,516,294
2010	2,010,994
2011	1,885,994
2012	2,923,894
Thereafter	<u>15,108,854</u>
	\$ <u>28,057,024</u>

For the year ended June 30, 2007, the Authority recorded revenue of \$3,713,994, which was previously recorded as deferred revenue.

**(12) Postemployment Benefits**

In addition to providing pension benefits, the Authority pays a portion of health care costs provided to certain of its retired employees. Costs incurred by the Authority are accounted for on a “pay-as-you-go” basis and were \$539,895 for the year ended June 30, 2007.

**(13) Convention Center**

The Commonwealth of Massachusetts enacted legislation (Chapter 152 of the Acts of 1997) (the Act) approving the financing and construction of a new convention and exhibition center (the Project). The Act requires that the Authority perform certain tasks in connection with the development of the Project. Those tasks include, among other items, acquiring properties and interests within the Project development area with the intention of conveying the acquired interests to the Massachusetts Convention Center Authority at a future date.

Pursuant to the Act, the Authority entered into a Cooperation Agreement with the City whereby all Project costs incurred by the Authority are to be funded by the City. For the year ended June 30, 2007, the Authority recorded \$5,240,000 of Project expenses for eminent domain land damage awards.

## Schedule 1

**BOSTON REDEVELOPMENT AUTHORITY**  
 (A Component Unit of the City of Boston)

Operating Fund Statement of Revenues and Expenses -- Budget vs. Actual

Year ended June 30, 2007

(Unaudited)

	<u>Actual</u>	<u>Budget</u>	<u>Variance over (under)</u>
Revenues:			
Rental, leases, and long-term agreements	\$ 10,269	12,183	(1,914)
Equity participation	1,367	1,620	(253)
Project income	4,403	2,520	1,883
Interest income	922	175	747
Other income	752	100	652
Total revenues	<u>17,713</u>	<u>16,598</u>	<u>1,115</u>
Expenses:			
Personnel and fringe	12,515	12,618	(103)
Supplies and services	2,998	1,712	1,286
Contractual services	1,912	2,238	(326)
Total expenses	<u>17,425</u>	<u>16,568</u>	<u>857</u>
Excess expenses over revenues	\$ <u>288</u>	<u>30</u>	<u>258</u>

See accompanying independent auditors' report.

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**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Basic Financial Statements, Required Supplementary  
Information, and Supplementary Schedule

June 30, 2008

(With Independent Auditors' Report Thereon)



**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

June 30, 2008

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## Independent Auditors' Report

The Board of Directors  
Boston Redevelopment Authority:

We have audited the accompanying statement of net assets of the Boston Redevelopment Authority (the Authority, a component unit of the City of Boston) as of June 30, 2008, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2008 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As described in note 13 to the basic financial statements, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year ended June 30, 2008.



The Management's Discussion and Analysis on pages 3 through 6 and the schedule of funding progress on page 22 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. Schedule 1 (operating fund statement of revenues and expenses – budget vs. actual) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

KPMG LLP

December 15, 2008

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Required Supplementary Information  
Management's Discussion and Analysis

June 30, 2008

(Unaudited)

The following is the management's discussion and analysis of the financial performance of the Boston Redevelopment Authority (the Authority) for the fiscal year ended June 30, 2008. This discussion is a narrative overview and analysis of the Authority's financial operations and should be read in conjunction with the accompanying financial statements.

**Basic Financial Statements**

The basic financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private sector business enterprises. This method of accounting has an economic resources measurement focus and an accrual basis of accounting is used. Revenue is recorded when earned, and expenses are recorded when incurred. The financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. This report also includes notes accompanying the statements to fully explain the activities reported in them.

The statement of net assets presents information on the assets and liabilities of the Authority. The difference between the two is net assets. Over time, increases and decreases in net assets may be an indicator of the financial stability of the Authority.

The statement of revenues, expenses, and changes in net assets reports the operating revenues and expenses and the nonoperating revenues of the Authority for the fiscal year. The difference—increase or decrease in net assets—then determines the net change in assets for the fiscal year. This change in net assets added to last year's net assets will reconcile to the total net assets for this fiscal year.

The statement of cash flows reports activities affecting cash and cash equivalents during the fiscal year.

**Financial Highlights**

- Assets exceeded liabilities by \$3,730,870 at the close of the fiscal year.
- Operating revenues decreased \$3,079,007 or 12.6% from the previous year due to a decrease in intergovernmental activity, sale of property revenues, and rental and other property payments.
- Operating expenses increased \$281,219 or 1.1% from the previous year primarily due to increases in accrued fringe expense.
- Net assets decreased \$3,813,402 from last year.
- Cash and cash equivalents increased by \$2,075,697 during the year.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2008

(Unaudited)

**Financial Analysis of the Authority**

***Net Assets***

The Authority's net assets at June 30, 2008 were \$3,730,870 as shown in Table A-1. Total assets increased by \$21,009,248 and total liabilities increased by \$24,822,650.

**Table A-1**  
**Boston Redevelopment Authority's Summarized Net Assets**

	<u>2008</u>	<u>2007</u>	<u>Increase (decrease)</u>
<b>Assets:</b>			
Current assets	\$ 61,840,620	48,171,405	13,669,215
Noncurrent assets:			
Notes receivable, net	69,780,420	75,488,704	(5,708,284)
Disposition receivables – development sites	33,438,127	25,612,030	7,826,097
Capital assets	20,352,766	15,130,546	5,222,220
Total assets	<u>\$ 185,411,933</u>	<u>164,402,685</u>	<u>21,009,248</u>
<b>Liabilities:</b>			
Current liabilities	\$ 6,267,775	4,609,077	1,658,698
Noncurrent liabilities:			
Due to designated projects	41,755,367	33,136,154	8,619,213
Deposits	31,189,787	31,379,305	(189,518)
Due to City of Boston	60,841,862	57,148,421	3,693,441
Deferred revenue	34,903,702	26,960,190	7,943,512
Other	6,722,570	3,625,266	3,097,304
Total liabilities	<u>\$ 181,681,063</u>	<u>156,858,413</u>	<u>24,822,650</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	\$ 8,396,552	7,047,596	1,348,956
Unrestricted	(4,665,682)	496,676	(5,162,358)
Total net assets	<u>\$ 3,730,870</u>	<u>7,544,272</u>	<u>(3,813,402)</u>

The increase in total assets is primarily due to increases in notes receivables (of which the current portion is reflected in current assets), disposition receivables, and capital assets.

The increase in total liabilities is due to an increase in deferred revenue and designated projects.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Required Supplementary Information  
Management's Discussion and Analysis

June 30, 2008

(Unaudited)

***Capital Assets***

At the end of 2008, the Authority had \$20,352,766 invested in capital assets, which consists primarily of land held for redevelopment purposes within the City of Boston. There were significant additions of capital assets during the year, including land that was acquired for a specific project.

***Long-Term Obligations***

At year-end, the Authority had \$175,413,288 in long-term liabilities. The major components of this balance include deferred revenue of \$34,903,702 and amounts due to the City of Boston of \$60,841,862 and amounts due to designated projects of \$41,755,367. All of these amounts are related to the Authority's redevelopment activities. The amounts due to the City of Boston and to designated projects have been established to designate where loan repayments from the Authority's borrowers are to be paid.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Required Supplementary Information  
Management's Discussion and Analysis

June 30, 2008

(Unaudited)

**Table A-2**  
**Changes in the Boston Redevelopment Authority's Net Assets**

	<u>2008</u>	<u>2007</u>	<u>Increase (decrease)</u>
Operating revenues:			
Intergovernmental	\$ 6,154,561	7,761,135	(1,606,574)
Sale of property	5,378,751	7,131,590	(1,752,839)
Rent and other property payments	7,380,828	8,906,116	(1,525,288)
Note receivable – interest income	1,038,914	—	1,038,914
Gross profit recognized on installment sale	355,586	—	355,586
Other	1,094,112	682,918	411,194
	<u>21,402,752</u>	<u>24,481,759</u>	<u>(3,079,007)</u>
Total operating revenues			
Operating expenses:			
Contractual services	7,875,445	9,568,488	(1,693,043)
Personnel and fringe	13,311,977	12,927,331	384,646
Other post employment benefits	1,533,200	—	1,533,200
Supplies and services	2,874,121	2,861,038	13,083
Other	229,675	186,342	43,333
	<u>25,824,418</u>	<u>25,543,199</u>	<u>281,219</u>
Total operating expenses			
Operating loss	(4,421,666)	(1,061,440)	(3,360,226)
Nonoperating revenues (expenses)	608,264	1,130,120	(521,856)
Change in net assets	(3,813,402)	68,680	(3,882,082)
Total net assets, beginning of year	7,544,272	7,475,592	68,680
Total net assets, end of year	<u>\$ 3,730,870</u>	<u>7,544,272</u>	<u>(3,813,402)</u>

The decrease in operating revenues is primarily due to a reduction in eminent domain takings for the City of Boston. These revenues are accounted for as intergovernmental revenue, and a reduction of lease revenues.

***Request for Information***

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives to carry out the planning and economic development activities of the City of Boston. If you have any questions about this report, contact the Secretary's Office, 9th Floor, City Hall.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Statement of Net Assets

June 30, 2008

**Assets**

Current assets:	
Cash and cash equivalents (note 3)	\$ 45,905,426
Accounts receivable:	
Rent	240,077
Intergovernmental	2,362,341
Other accounts receivable	219,335
Prepaid assets	113,258
Notes receivable, net, current portion (note 4)	10,162,657
Disposition receivables – development sites, current portion (note 12)	<u>2,837,526</u>
Total current assets	<u>61,840,620</u>
Noncurrent assets:	
Notes receivable, net (note 4)	68,921,964
Notes receivable – Rowes Wharf, net (note 5)	858,456
Disposition receivables – development sites (note 12)	33,438,127
Capital assets (note 7):	
Nondepreciable	15,074,738
Depreciable	7,765,167
Less accumulated depreciation	<u>(2,487,139)</u>
Total capital assets, net	<u>20,352,766</u>
Total noncurrent assets	<u>123,571,313</u>
Total assets	<u><u>\$ 185,411,933</u></u>

**Liabilities**

Current liabilities:	
Accounts payable and accrued expenses	\$ 3,430,249
Deferred revenue, current portion (note 12)	<u>2,837,526</u>
Total current liabilities	<u>6,267,775</u>
Noncurrent liabilities:	
Notes payable (notes 6 and 9)	3,375,000
Deposits (note 9)	31,189,787
Vacation and sick leave (note 9)	1,788,682
Other postemployment benefits (note 13)	966,367
Due to designated projects (notes 4 and 9)	41,755,367
Due to City of Boston (notes 4 and 9)	60,841,862
Deferred revenue (note 12)	34,903,702
Other (note 9)	<u>592,521</u>
Total noncurrent liabilities	<u>175,413,288</u>
Total liabilities	<u><u>\$ 181,681,063</u></u>

**Net Assets**

Invested in capital assets, net of related debt	\$ 8,396,552
Unrestricted	<u>(4,665,682)</u>
Commitments and contingencies (note 10)	
Total net assets	<u><u>\$ 3,730,870</u></u>

See accompanying notes to basic financial statements.



**BOSTON REDEVELOPMENT AUTHORITY**

(A Component Unit of the City of Boston)

## Statement of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2008

Operating revenues:	
Intergovernmental	\$ 6,154,561
Sale of property	5,378,751
Rent and other property payments (note 8)	7,380,828
Notes receivable – interest income (note 5)	1,038,914
Gross profit recognized on installment sale (note 5)	355,586
Other	1,094,112
Total operating revenues	<u>21,402,752</u>
Operating expenses:	
Personnel	9,968,799
Fringe benefits	3,343,178
Other post employment benefits	1,533,200
Supplies and services	2,874,121
Contractual services	7,875,445
Depreciation	221,063
Other	8,612
Total operating expenses	<u>25,824,418</u>
Operating loss	(4,421,666)
Nonoperating revenues:	
Interest income	<u>608,264</u>
Total nonoperating revenues	<u>608,264</u>
Decrease in net assets	(3,813,402)
Net assets, beginning of year	<u>7,544,272</u>
Net assets, end of year	<u>\$ 3,730,870</u>

See accompanying notes to basic financial statements.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Statement of Cash Flows

Year ended June 30, 2008

Cash flows from operating activities:	
Cash received from customers	\$ 18,512,427
Cash paid to employees	(13,705,009)
Cash paid to suppliers and consultants	(8,738,457)
	<u>(3,931,039)</u>
Net cash used in operating activities	
Cash flows from capital and related financing activities:	
Purchases of capital assets	(5,443,283)
Proceeds from note issuance	1,900,000
	<u>(3,543,283)</u>
Net cash used in capital and related financing activities	
Cash flows from noncapital financing activities:	
Payment to development projects	(3,370,899)
Interest earnings on escrow deposits	608,264
Program grant receipts and advances	8,619,213
Receipts from the City of Boston	3,693,441
	<u>9,550,019</u>
Net cash provided by noncapital financing activities	
Increase in cash and cash equivalents	2,075,697
	<u>43,829,729</u>
Cash and cash equivalents, beginning of year	
Cash and cash equivalents, end of year	\$ <u><u>45,905,426</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (4,421,666)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	221,063
Establishment of other postemployment benefits liability	966,367
Establishment of notes receivable – Rowes Wharf, net	(858,456)
Changes in operating assets and liabilities:	
Receivables	(1,649,284)
Disposition of development sites	(8,052,629)
Prepaid assets	87,555
Accounts payable and accrued expenses	1,932,166
Vacation and sick leave	173,801
Deferred revenue	7,670,044
	<u>7,670,044</u>
Net cash used in operating activities	\$ <u><u>(3,931,039)</u></u>

See accompanying notes to basic financial statements.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2008

**(1) The Authority**

The Boston Redevelopment Authority (the Authority) was established in 1957 pursuant to Chapter 121B, as amended, of the General Laws of Massachusetts, to administer community development projects and to function as the planning agency of the City of Boston (the City). The Authority is governed by a five-member board of directors appointed for terms of five years. The Authority is a component unit of the City.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as specified by the Governmental Accounting Standards Board's (GASB) requirements for an enterprise fund. Operating revenues and expenses result from the administering of community development projects within the City. All other revenues and expenses are reported as nonoperating revenues and expenses.

Under GASB Statement No. 20, *Accounting and Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority applies all Financial Accounting Standards Board statements and interpretations issued on or before November 30, 1989, except those that conflict with or contradict GASB pronouncements.

**(b) Use of Estimates**

The preparation of the basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(c) Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Authority considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.

**(d) Capital Assets**

Capital assets are valued at cost, or at estimated historical cost if actual cost is not available. Cost includes not only purchase price or construction cost, but also ancillary charges necessary to place the asset in its intended location and condition for use.

**BOSTON REDEVELOPMENT AUTHORITY**

(A Component Unit of the City of Boston)

## Notes to Basic Financial Statements

June 30, 2008

**(e) Depreciation**

The Authority provides for depreciation using the straight-line method. Depreciation is intended to distribute the cost of depreciable properties over the following estimated average useful lives:

	<u>Years</u>
Buildings	30
Land improvements	30
Furniture and fixtures	10
Vehicles	5
Computers	3

**(f) Compensated Absences**

Employees may accumulate unused vacation and sick leave as earned. Upon retirement, termination or death, employees are compensated for accumulated unused vacation up to a maximum of three times their annual accrual. Sick leave accumulates at the rate of 1¼ days for each calendar month of service with no maximum limit. Upon termination, employees with 20 or more years of service may receive in cash 32% of their accrued but unused sick leave.

**(g) Deposits**

Deposits are funds given to the Authority by developers for the development of specific projects within the City of Boston.

**(h) Due to Designated Projects**

Due to designated projects represents funds that will be made available for housing projects within the City.

**(i) Due to City**

Amounts due to the City consist of loans funded by the City and federal grants passed through the City for urban development and housing development projects. The Authority loans these funds to various not-for-profit community developers with repayments remitted to the City's neighborhood development fund.

**BOSTON REDEVELOPMENT AUTHORITY**

(A Component Unit of the City of Boston)

## Notes to Basic Financial Statements

June 30, 2008

**(3) Cash and Investments**

The Authority follows GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which requires that entities disclose essential risk information about deposits and investments.

**(a) Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of bank failure, the Authority's deposits may not be returned. The Authority carries deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC), as well as uninsured deposits. As of June 30, 2008, the bank balances of uninsured deposits totaled \$20,332,894.

**(b) Investment Policy**

State and local statutes place certain limitations on the nature of deposits and investments available to the Authority. Deposits (including demand deposits, term deposits, and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization by the financial institutions involved. Investments may also be made in securities issued by or unconditionally guaranteed by the U.S. government or its agencies that have a maturity of less than one year from the date of purchase and in repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

**(c) Interest Rate Risk**

As of June 30, 2008, the Authority's only investment was a fixed income money market fund. The fair value of the money market fund was \$25,961,500, and its weighted average maturity was less than one year.

**(d) Credit Risk**

As of June 30, 2008, the Authority's investment in the money market fund was not rated.

**(4) Notes Receivable**

Notes receivable as of June 30, 2008 consist of the following amounts:

	<u>Amount</u>
Notes receivable – real estate	\$ 4,044,546
Notes receivable – development and housing	23,112,450
Notes receivable – passed through the City of Boston	<u>51,983,197</u>
	79,140,193
Less allowance for uncollectibles	<u>(55,572)</u>
Notes receivable, net	<u>\$ 79,084,621</u>

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2008

Principal payments are due on the outstanding notes receivables as follows:

	<u>Amount</u>
Year ending June 30:	
2009	\$ 10,164,657
2010	97,157
2011	97,157
2012	97,157
2013	97,157
Thereafter	<u>68,531,336</u>
Total principal due	\$ <u><u>79,084,621</u></u>

Notes receivable – real estate consist of loans made by the Authority for redevelopment projects.

Notes receivable – development and housing are loans provided by the Authority. Amounts collected are made available for new loans.

Notes receivable – passed through the City consist of loans funded by the City and federal government under loan programs such as urban development and housing development action grants. The Authority loaned these pass-through funds to various not-for-profit community developers to accomplish their development and housing initiatives. The Authority administers these loans, with any repayment remitted to the City's neighborhood development fund. Because the loan repayments are contingent upon future events (e.g., cash flows) and the collectibility of such amounts is not assured, the receivables are fully deferred on the Authority's statement of net assets.

Amounts due to the Authority, related to the notes receivable described above, are not recorded as revenues on the Authority's financial statements. Any collections on those notes are paid to the City or designated projects and are recorded as due to the City or due to designated projects on the Authority's financial statements.

**(5) Rowes Wharf**

In July 2007, the Authority entered into an agreement with a developer that previously had a long-term ground lease and contingent interest agreement in a property located at Rowes Wharf in Boston, Massachusetts (the Property) with the Authority. Under the agreement, the developer exercised a land purchase option available under its ground lease and negotiated the settlement of the Authority's remaining interest in the property.

**BOSTON REDEVELOPMENT AUTHORITY**

(A Component Unit of the City of Boston)

## Notes to Basic Financial Statements

June 30, 2008

The sale was consummated by the issuance of notes by the Authority to the developer in the amount of \$14,000,000 and \$4,500,000. Both notes have terms of 20 years with interest rates of 6.80%. Aggregate amounts due to be received under the notes as of June 30, 2008 were as follows:

	<u>Amount</u>
Year ending June 30:	
2009	\$ 476,671
2010	510,113
2011	545,903
2012	584,203
2013	625,191
Thereafter	<u>15,384,655</u>
Total principal due	<u>\$ 18,126,736</u>

During the year ended June 30, 2008, principal payments of \$373,264 and interest payments of \$1,038,914 were received from the developer. The Authority will record and recognize the profit from the sale on the installment method, as follows:

	<u>Amount</u>
Gross sales proceeds	\$ 18,500,000
Cost of land	<u>(876,134)</u>
Gross profit on installment sale	17,623,866
Gross profit recognized through June 30, 2008	<u>(355,586)</u>
Gross profit not yet recognized	<u>\$ 17,268,280</u>

**(6) China Trade Center**

In 1993, the Authority purchased the China Trade Center (CTC) from an unrelated party for approximately \$2,225,000, including past-due property taxes due to the City of approximately \$750,000. Funding for the purchase was provided by the City. In connection with the transaction, the City received from the Authority a noninterest-bearing mortgage note of \$1,475,000 due upon the sale or refinancing of the property. The Authority rents the space to various unrelated parties. The CTC is included in the Authority's capital asset balance at June 30, 2008.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Notes to Basic Financial Statements

June 30, 2008

**(7) Capital Assets**

The following is a summary of activities by major categories of capital assets for the year ended June 30, 2008:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ 436,136	35,248	(471,384)	—
Land	11,127,672	4,868,200	(921,134)	15,074,738
Total capital assets not being depreciated	<u>11,563,808</u>	<u>4,903,448</u>	<u>(1,392,518)</u>	<u>15,074,738</u>
Other capital assets:				
Land improvements	—	471,384	—	471,384
Building	3,813,231	1,391,167	—	5,204,398
Furniture and fixtures	1,428,886	57,337	—	1,486,223
Computers	512,473	12,465	—	524,938
Vehicles	78,224	—	—	78,224
Total other capital assets at historical cost	<u>5,832,814</u>	<u>1,932,353</u>	<u>—</u>	<u>7,765,167</u>
Less accumulated depreciation for:				
Land improvements	—	7,856	—	7,856
Building	923,081	72,864	—	995,945
Furniture and fixtures	831,654	91,064	—	922,718
Computers	441,497	47,803	—	489,300
Vehicles	69,844	1,476	—	71,320
Total accumulated depreciation	<u>2,266,076</u>	<u>221,063</u>	<u>—</u>	<u>2,487,139</u>
Other capital assets, net	<u>3,566,738</u>	<u>1,711,290</u>	<u>—</u>	<u>5,278,028</u>
Capital assets, net	<u>\$ 15,130,546</u>	<u>6,614,738</u>	<u>(1,392,518)</u>	<u>20,352,766</u>

**(8) Operating Leases and Other Property Payments**

The Authority is a lessor of property under operating leases expiring in various years through 2088. The property was acquired in connection with the Authority's redevelopment activities and has not been capitalized.



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Minimum future rentals to be received on all noncancelable operating leases as of June 30, 2008 for each of the next five years and thereafter are as follows:

	<u>Amount</u>
Year ending June 30:	
2009	\$ 1,635,509
2010	1,635,509
2011	1,635,509
2012	1,635,509
2013	1,635,509
Thereafter	<u>81,388,919</u>
	<u>\$ 89,566,464</u>

The Authority is also a lessor of property under operating leases with terms of less than one year. Total rental income under short-term operating leases was \$823,408 for the year ended June 30, 2008.

The Authority receives a percentage of revenues from the sale and resale of real estate. The Authority received payments amounting to \$809,727 for the year ended June 30, 2008.

**(9) Long-Term Liabilities**

The following is a summary of long-term liabilities by major category:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
Notes payable	\$ 1,475,000	1,900,000	—	3,375,000
Deposits	31,379,305	3,483,240	3,672,758	31,189,787
Vacation and sick leave	1,614,881	173,801	—	1,788,682
Unfunded health liability	—	966,367	—	966,367
Due to designated projects	33,136,154	9,838,323	1,219,110	41,755,367
Due to the City	57,148,441	6,805,912	3,112,491	60,841,862
Deferred revenue	26,960,190	10,781,038	2,837,526	34,903,702
Other	535,385	147,136	90,000	592,521
	<u>\$ 152,249,356</u>	<u>34,095,817</u>	<u>10,931,885</u>	<u>175,413,288</u>

The Authority purchased 8.3 acres of land from an unrelated party. In connection with the transaction, the Authority received a noninterest-bearing mortgage note of \$1,900,000 from the City due or deemed repaid upon certain milestones being met. The land is included in the Authority's capital asset balance at June 30, 2008.

The timing of the repayment for both the notes payable will be determined when certain future events occur (e.g., sale of related property). There is no established repayment schedule for the other noncurrent liabilities.

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**(10) Risk Management**

The Authority is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, and employee health and life insurance claims.

Buildings are fully insured against fire, theft, and natural disaster to the extent that losses exceed appropriate deductible amounts per incident. The Authority provides for workers' compensation and health claims through premium based plans.

The Authority is involved in lawsuits concerning routine contract matters and public liability tort actions, the majority of which are covered by contractors', homeowners', landlords', and tenants' liability insurance policies. In addition, the Authority is involved in other litigation including land damage cases resulting from the acquisition of properties as a result of exercising its powers of eminent domain. Management believes that there is no significant liability associated with these claims.

**(11) Pension Plan**

**(a) Plan Description**

All full-time Authority employees are required to participate in the State-Boston Retirement System (the System), a cost-sharing, multiple-employer defined benefit pension plan. The System provides for retirement allowance benefits up to a maximum of 80% of an employee's highest 3 year average annual rate of regular compensation. Benefit payments are based upon an employee's age, length of creditable service, level of compensation, and group classification. Employees become vested after 10 years of creditable service. A retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service. The System issues a publicly available financial report that can be obtained from the Boston Retirement Board, Room 816, City Hall, Boston, Massachusetts 02201.

**(b) Funding Policy**

Plan members are required to contribute to the System at rates ranging from 5% to 9% of annual covered compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. The Authority is required to pay into the System its share of the remaining systemwide actuarially determined contribution plus administration costs that are apportioned among the employers based on active covered payroll. The Commonwealth of Massachusetts reimburses the System for a portion of benefit payments for cost-of-living increases granted prior to July 1, 1998. The contributions of plan members and the Authority are governed by Chapter 32 of the Massachusetts General Laws. The Authority's contributions to the System for the years ended June 30, 2008, 2007, and 2006 were \$2,086,434, \$1,908,177, and \$1,723,571, respectively, which equaled its required contribution for those years.

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June 30, 2008

**(12) Disposition Receivables – Development Sites**

Amounts due to the Authority related to certain land disposition transactions that are recorded as deferred revenues until such time as the transactions progress to the point that the Authority has earned the revenue based upon due dates specified in the agreements or upon the achievement of certain milestones. At June 30, 2008, the Authority recorded \$36,275,653 of disposition receivables of which \$166,000 will become due upon the achievement of certain milestones and the remaining \$36,109,653 will be due as follows:

	<u>Amount</u>
Year ending June 30:	
2009	\$ 2,837,526
2010	2,837,526
2011	2,487,526
2012	2,438,621
2013	2,183,287
Thereafter	<u>23,325,167</u>
	\$ <u>36,109,653</u>

For the year ended June 30, 2008, the Authority recorded a revenue of \$3,270,000, which was previously recorded as deferred revenue.

**(13) Other Postemployment Benefits**

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, is required to be implemented by governments with annual revenues greater than \$100 million for financial statement periods beginning after December 15, 2006. GASB Statement No. 45 requires governments to account for other postemployment benefits, primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of revenues, expenses, and changes in net assets when a future retiree earns his/her postemployment benefit rather than when he/she use his/her postemployment benefit. To the extent that an entity does not fund its actuarially required contribution, a postemployment benefit liability is recognized on the statement of net assets over time.

**(a) Plan Description**

In addition to providing the pension benefits described, the Authority provides postemployment healthcare and life insurance benefits (OPEB) for retired employees through the Group Insurance Commission (GIC). The GIC is a quasi-independent state agency that administers an agent multi-employer defined benefit OPEB plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by the Authority and can be amended by the Authority. As of June 30, 2008, the actuarial valuation date, approximately 139 retirees and 121 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

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June 30, 2008

**(b) Benefits Provided**

The Authority provides medical, prescription drug, mental health/substance abuse, and life insurance to retirees and their covered dependents. All active employees who retire from the Authority and meet the eligibility criteria will receive these benefits.

**(c) Funding Policy**

Retirees who retired on or before July 1, 1994 contribute 10% of the cost of the health plans, as determined by the GIC. Those who retired after July 1, 1994 contribute 15% of the cost of the health plan, as determined by the GIC. The Authority contributes the remainder of the health plan costs on a pay-as-you-go basis.

**(d) Annual OPEB Costs and Net OPEB Obligation**

The Authority's fiscal 2008 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of 30 years. The following table shows the components of the Authority's annual OPEB cost for the year ended June 30, 2008, the amount actually contributed to the plan, and the change in the Authority's net OPEB obligation based on an actuarial valuation as of January 1, 2006:

	<u>Amount</u>
ARC	\$ 1,533,200
Interest on net OPEB obligation	—
Adjustment to ARC	—
Annual OPEB cost	<u>1,533,200</u>
Contributions made	<u>(566,833)</u>
Change in net OPEB obligation	966,367
Net OPEB obligation – beginning of year	—
Net OPEB obligation – end of year	<u>\$ 966,367</u>

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The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB cost</u>	<u>Percentage of OPEB cost contributed</u>	<u>Net OPEB obligation</u>
2008	\$ 1,533,200	37%	\$ 966,367

**(e) Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2008, based on an actuarial valuation as of January 1, 2007, was as follows:

Actuarial accrued liability (AAL)	\$ 16,652,800
Actuarial value of plan assets	<u>—</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 16,652,800</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 9,968,799
UAAL as a percentage of covered payroll	167.0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the Authority are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the AALs for benefits.

**(f) Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the plan as understood by the Authority and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Authority and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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In the January 1, 2007 actuarial valuation, the projected unit credit cost method was used. The actuarial value of assets was not determined as the Authority has not advance funded its obligation. The actuarial assumptions included a 4.5% investment rate of return and an initial annual healthcare cost trend rate of 10.5%, which decreases to a 5.0% long-term trend rate for all healthcare benefits after 10 years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4.5%.

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Required Supplementary Information

Schedule of Funding Progress

June 30, 2008

Unaudited

(Dollars in thousands)

**OPEB**

<u>Valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (AAL) (b)</u>	<u>(Funded) unfunded AAL (UAAL) (b-a)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>UAAL as a percentage of covered payroll ((b-a)/c)</u>
January 1, 2007	\$ —	16,652,800	16,652,800	—%	\$ 9,968,799	167.0%

See accompanying independent auditors' report.

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Operating Fund Statement of Revenues and Expenses – Budget vs. Actual

Year ended June 30, 2008

(Unaudited)

		<u>Actual</u>	<u>Budget</u>	<u>Variance over (under)</u>
Revenues:				
Rental, leases, and long-term agreements	\$	6,571	12,015	(5,444)
Equity participation		810	1,492	(682)
Project income		6,751	3,384	3,367
Interest income		458	200	258
Other income		1,094	100	994
		<u>15,684</u>	<u>17,191</u>	<u>(1,507)</u>
Total revenues				
Expenses:				
Personnel and fringe		14,393	13,373	1,020
Supplies and services		2,691	1,992	699
Contractual services		2,106	1,659	447
		<u>19,190</u>	<u>17,024</u>	<u>2,166</u>
Total expenses				
Excess expenses over revenues	\$	<u>(3,506)</u>	<u>167</u>	<u>(3,673)</u>

See accompanying independent auditors' report.



